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China

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CONTENTS

28 June 1994

POLITICAL

Article Endorses Maoist Self-Reliance [ZHENLI DE ZHUIQIU 11 Mar]	1
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ECONOMIC

NATIONAL AFFAIRS, POLICY

Wang Zhongyu on Strengthening Large Enterprises [JINGJI GONGZUO TONGXUN 30 Mar]	3
Reform of Property Rights System [ZHONGGUO GUOQING GUOLI 28 Mar]	6
100 Pilot Units Chosen for Modern Enterprise System [QIYE GUANLI 1 Apr]	9
Price Institute Research Group Forecasts Prices for 1995 [ZHONGGUO WUJIA Feb]	11

PROVINCIAL

Report on Ningxia Regional Economic, Social Development [NINGXIA RIBAO 28 Apr]	15
--	----

FINANCE, BANKING

New Tax System Promotes Petroleum Exploration [ZHONGGUO SHUIWU BAO 18 Apr]	20
State Bank Commercialization Problems, Solutions [JINGJI RIBAO 3 May]	21
New Tax System's Impact on Local Economy [ZHONGGUO SHUIWU BAO 16 Apr]	25

INDUSTRY

Machine Industry Development Issues [GUANLI SHIJIE 24 Mar]	26
--	----

FOREIGN TRADE, INVESTMENT

Socialist Market Economy Promotes Population Planning [RENKOU YANJIU 29 Mar]	28
--	----

LABOR

Deng Tome on Workers, Labor Unions Reviewed [GONGREN RIBAO 14 May]	31
Statistical Bureau Releases 1993 Labor Statistics [BEIJING ZHONGGUO XINXI BAO 27 Apr] ...	33

AGRICULTURE

Changes in Rural Occupations Examined [ZHONGGUO NONGCUN JINGJI 20 Mar]	35
Finance Ministry Adjusts Farm Taxes [ZHONGGUO SHANGBAO 6 Apr]	41
Poor Quality Materials Sold to Peasants [NONGMIN RIBAO 26 Apr]	41
Agricultural Ministry on Importance of Planting [JINGJI RIBAO 12 Apr]	42
Shanghai Rapeseed Procurement [NONGMIN RIBAO 14 Jun]	43
Jiangsu Rapeseed Output [XINHUA RIBAO 28 May]	43
Commentator Article Criticizes Quality of Grain Imports [BOHAI SHANGBAO 26 Apr]	43
Analysis of Farmer Income in Year 2000 [NONGYE JINGJI WENTI 23 Mar]	44
Work Permit System For Peasants Criticized [NONGYE JINGJI 23 Apr]	52
Hunan Reaps Bumper Spring Grain Harvest [JINGJI RIBAO 14 Jun]	56
Xinjiang Cotton Area, Output [ZHONGGUO FANGZHI BAO 30 May]	56

SOCIAL

Results of Survey Reveal 'Problems' of Students [Hong Kong MING PAO 16 Apr]	57
Peasants' Unhealthy Consumption Attitudes [ZHONGGUO SHEHUI BAO 19 Apr]	57
Characteristics of Marriage Crisis in Rural Areas [NONGMIN RIBAO 17 May]	58
Brief Analysis of Swindle Cases [ZHONGGUO SHEHUI BAO 21 Apr]	59
Semi-Official Press Marks Beginning of Journalistic Freedom [MING PAO YUE-KAN Feb]	60

MILITARY, PUBLIC SECURITY

Zhang Liping Discusses Improving PLA Medical Work [RENMIN JUNYI 28 Nov]	65
---	----

REGIONAL

NORTHWEST REGION

Work of Gansu Courts During 1993 Reviewed [GANSU RIBAO 13 Apr]	68
--	----

Article Endorses Maoist Self-Reliance

94CM0279A Beijing ZHENLI DE ZHUIQIU
[PURSUIT OF TRUTH] in Chinese No 3, 11 Mar 94
pp 32-33

[Article by Li Liangduo (2621 5328 1122): "Dialectical Unity of Opening Up Policy With Independence and Self Reliance"]

[Text] Independence and self-reliance are basic tenets of Mao Zedong's thoughts, and they relate to and reinforce China's policy of opening up to the outside. But in everyday life, this is not understood in dialectical terms, and incorrect attitudes toward the issue still prevail. Some people think that a strong emphasis on independence and self-reliance would amount to weakening or even rejecting the opening up policy, so in implementing the policy they often forget or refrain from talking about independence and self-reliance; this one-sided thinking has undoubtedly caused harm to our country's opening up policy and socialist modernization and development.

Independence and self-reliance are totally different from isolating ourselves and rejecting things foreign. During the revolutionary period as well as the era of construction, comrade Mao Zedong made clear that in striving for independence and self-reliance, we also needed foreign assistance. He always advocated broadening our horizon and, on the basis of the principles of independence and self-reliance, proceeding to develop peaceful and friendly relations and exchanges in political, economic, cultural and other fields with all countries, while keeping up a relentless struggle to break up any attempts by the West to isolate or boycott China. Even during the "Great Cultural Revolution," he proposed that we analyze the world from three perspectives, namely to break the deadlocks in the Sino-U.S. and Sino-Japanese relations and to regain China's seat in the United Nations. Of course, constrained by historical conditions, comrade Mao Zedong's thinking on opening up to the outside did not develop to the extent as it has today, but he paved the way for the opening up policy.

The Third Plenum of the 11th CPC National Congress established the basic line of "one center and two basic points." Opening up to the outside has become a basic national policy to be firmly supported over the long term and it represents an important step toward establishing socialism with special Chinese characteristics. In over a decade, achievements of this policy are clearly notable and have contributed greatly toward China's modernization and development. Implementation has demonstrated that the policy is entirely correct.

The opening up policy is a prerequisite condition of independence and self-reliance; they complement and mutually reinforce each other. Comrade Deng Xiaoping has pointed out: "Independence and self-reliance represent our basic points of reference, whether in terms of the past, the present or the future." (*Selected Works of Deng Xiaoping*, Volume III, page 3). "In developing a country as large as China, we cannot help but rely on

ourselves, and primarily on ourselves, and that is the essence of self-reliance" (*Ibid.*, Volume III, page 78). The opening up policy is necessary and important because it helps develop socialism, strengthen our country as a whole and raise the people's standard of living; as a result, it helps Chinese people maintain their independence and self-reliance and speed up our socialist modernization and development. Independence and self-reliance provide indispensable objective condition and support for the opening up policy; the policy, in turn, is based on the unshakable foundation of independence and self-reliance. Any viewpoint or action which splits these two internally related and unified concepts is wrong and harmful.

The relationship of these two concepts is unitary and has a primary and a secondary objectives. The primary objective is to firmly maintain our independence and self-reliance; the secondary but complementary objective is to actively seek foreign assistance. Since the Third Plenum of the 11th CPC National Congress, comrade Deng Xiaoping has repeatedly stressed this [two-fold] objective; he said: "In the end, the objective of our construction is the same as Mao Zedong had formulated in the past, namely with its primary focus on self-reliance and its complementary focus on striving to obtain foreign assistance." (*Selected Works of Deng Xiaoping: 1975-1982*, page 310) The "primary" and "supporting" elements in the relationship cannot be equal, and certainly cannot be reversed. For example, attracting foreign investment is undoubtedly very much needed, since to a certain degree foreign capital can supplement inadequate Chinese capital for construction, but we absolutely cannot depend entirely on foreign investment or put all our hope on foreign capital; we cannot disregard the consequences of relying on foreign capital and pay the price which hurts China's interest, damages our national policy and debases the morality of our society. Otherwise, it would not be our making use of foreign capital, but the latter making use of us. In the whole process of socialist modernization and development, regardless how far we open up to the outside, the role that foreign assistance plays will proportionately be relatively limited; it can only "play a support role in developing production under socialism" (*Selected Works of Deng Xiaoping*, Volume III, page 181); furthermore, any type of foreign assistance must conform to China's reality and it can only be used effectively in conjunction with efforts by the Chinese people themselves; besides, it is certainly not easy to obtain capital and advanced science and technology from countries of the West. Therefore, only when we set our objective based on our own strength, then seek foreign assistance on the basis of self-reliance and mainly our own conscientious struggle, will we ultimately stand on victorious ground.

The thrust of opening up to the outside must be to serve the interests of economic construction. The various aspects of the opening up policy should be based on the realistic need and feasibility of China's modernization and development. We need to attract advanced technology and facilities from abroad, but to do so only after

deliberating carefully and avoiding duplicated imports wasteful of China's capital; we need to set up development zones but we must also seek truth from facts and consider the reality of the zones, China's ability to absorb the imports, and the various factors involved in calculating the value of setting up such zones; we must not in a burst of enthusiasm rush into doing things, nor proceed on the basis of narrow interests of certain zones without considering how they relate to or support each other. We need to learn from foreign countries, but we must do so analytically, critically and selectively; we must learn the strong points of other countries, the good things which are truly advanced, and not things which are backward and passe. Our country is a socialist state, and our modernization and development is socialist modernization and development; in our opening up policy, we absolutely cannot bring in corrupt ideas and lifestyle of the capitalist system. Comrade Deng Xiaoping has clearly pointed out: "In implementing our policy of opening up, learning foreign technology and utilizing foreign capital, we must do so in the interest of socialist construction, and we cannot depart from the socialist road." (*Selected Works of Deng Xiaoping*, Volume III, page 195) In the entire process of carrying out our opening up policy, we must firmly protect and maintain China's independence and sovereignty. For over a hundred years China had endured aggression and oppression by various Western powers, and suffered deeply the bitterness of national humiliation and deprivation of rights. The Chinese people value highly our national independence and sovereignty gained with the blood and lives of countless revolutionary martyrs. Today, despite the great changes in the international scene, big power politics and hegemonism still remain. Internationally, hostile forces are still trying hard to overthrow China's system of socialism through peaceful evolution tactics. We must keep a clear head and carry out resolute struggle. National independence and sovereignty are the basic rights of the Chinese people, and on

any issues which interfere with our national independence and sovereignty, the Chinese people's interests and their honor and self-respect, we will never compromise on these principles. Just as the way Comrade Deng Xiaoping put it: "The Chinese people value the friendship and cooperation with other countries and peoples, but value even more their own independence and sovereignty gained through a long period of struggle. No foreign country should expect China would become their vassal, or to shallow the bitter fruit harmful to our national interests." (*Selected Works of Deng Xiaoping*, Volume III, page 3) In looking forward to the opening up policy achieving important results, we should also be aware that in terms of the relationship between that policy and our independence and self-reliance, certain problems still remain. In particular, some people think that simply by carrying out the opening up policy, capital, facilities and technology, etc., will flow in from abroad, and that there will be no need for self-reliance or struggling to start our own businesses; some people working in the so-called "opening up" and "introducing foreign things into China" areas have no qualm about harming the national or people's interests in the process. Some people, disregarding reality, conditions or needs, think that starting more and more "development zones" means greater political accomplishment, or that attracting more things foreign demonstrates their talent and ability. Particularly obnoxious are people who, in the economic exchanges of the opening up process, have developed various corrupt and evil tendencies. All this goes against the Party's basic line, and Party discipline and the country's laws will not stand for it.

At present, China is striving to realize the strategic objective in the second stage of socialist modernization and development, and we need to rectify the relationship between the opening up policy and [our] independence and self-reliance; in carrying out the opening up policy, we must firmly establish the spirit of self-reliance and pioneering struggle. And We must resolutely overcome the negative and corrupt phenomena produced by opening up to the outside.

NATIONAL AFFAIRS, POLICY

Wang Zhongyu on Strengthening Large Enterprises

94CE0485A Beijing JINGJI GONGZUO TONGXUN
[ECONOMIC WORK NEWSLETTER] in Chinese
No 6, 30 Mar 94 pp 9-11, 37

[Article: "Leaders Speak—Optimize Capital Structure, Increase Enterprise Strength, Strive To Do a Good Job With Large and Medium-sized State Enterprises—Speech Given by State Economic and Trade Commission Director Wang Zhongyu (3769 1813 4416) at the Working Conference on Experimental Cities"]

[Text] Today in Beijing we are convening the First National "Optimize Capital Structure, Increase Enterprise Strength" Experimental City Working Conference. The central theme of this conference is clarifying the guiding thought and studying how to formulate an experimental implementation plan for the experiment. Since the idea to conduct the experiment to "optimize the capital structure and increase enterprise strength" in some cities was proposed, it has received serious consideration from several provinces and municipalities. Moreover, the concerted effort of our nine ministries and commissions has acquired the support of State Council leaders.

I. The Current Enterprise Reform Situation and Our Task

The enterprise reform situation is very good. First, the orientation of enterprise reform has already been clearly shown. The Decision of the Third Plenary Session indicates that establishing a modern enterprise system with "clear property rights, explicit rights and responsibilities, division between government and enterprises, and scientific management is a definite requirement for developing a socialist large production and market economy and is the orientation of China's state enterprise reform." For a period in the future, it will be an important task of enterprise reform to cause large- and medium-sized enterprises that are prepared to essentially accomplish conversion of mechanisms and establish a modern enterprise system that meets the demands of the socialist market economy system to make full use of the main force function of large and medium-sized state enterprises in the socialist market economy, and spur the entire national economy to sustained, rapid, and sound forward progress. Secondly, reforms of the five major systems of treasury and taxes, finance, investment, foreign trade, and planning have been implemented one after the other. With reform of the tax system having been implemented for a month and a half, it has generally gone smoothly and no major problems have occurred. The transition to a tax system dividing responsibility with local treasuries and the transition to a unified tax system for the enterprise contract system is an extraordinary thing. Although some problems have been exposed in the implementation, the party Central

Committee and the State Council are adopting measures to resolve the problems and improve the situation. We have investigated the situation of the new tax system in eleven industries. All reflected that quite a few problems with increased value added tax burdens in such industries as coal, small chemical fertilizer, pesticide, and small water and electricity have already been resolved and the independent mine resource tax problem is being negotiated. Leading comrades in the State Council have pointed out several times that they will account for the tax reduction and tax exemption policy approved by governments at the provincial level and above before the end of June 1993 and within two years they will adopt methods for late return of previously levied taxes. The Ministry of Finance and the State General Bureau of Taxation are formulating concrete suggestions. The general spirit is not to lightly change the policy that is in effect and to focus on smoothly establishing new mechanisms. The implementation of these macroeconomic measures has changed the situation of enterprise reform's being an isolated force penetrating deep into enemy territory and has caused enterprise reform from being alone to enter a new stage generally coordinated with other reforms and has provided state enterprises with a new development opportunity to move toward the market and participate in competition. Third, there is a series of laws and regulations regarding enterprise reform. For example, such laws and regulations as the Enterprise Law, Mechanism Conversion Regulations, Supervision and Management Regulations (to be implemented), Accounting Standards, and the General Rule on Financial Affairs, along with the Company Law have been promulgated and implemented, creating a rather good legal atmosphere for enterprise reform.

Based on the orientation and tasks of enterprise reform and this year's situation, in accordance with the principle of "combining overall progress with key breakthroughs" proposed in the Decision of the Third Plenary Session, we have proposed a plan "for converting mechanisms and establishing the system and ten thousand, thousand, hundred, and ten" plans based on thorough investigation and analysis and repeated solicitation of the suggestions of provinces, municipalities, and enterprises. "Converting mechanisms and establishing the system" is the abbreviation of the theme of the second part of the Decision. It speaks of promoting overall enterprise reform. That is, all state enterprises should do a good job of implementing the Regulations on Converting Mechanisms and the Supervision and Management Regulations to be implemented concentrating their efforts on converting mechanisms to create the conditions for laying a good base to establish a modern enterprise system. The "ten thousand, thousand, hundred, ten" is a concretization of the key breakthroughs in current enterprise reform. That is, by some enterprises (indicating 10,000, 1,000, and 100 enterprises) advancing a step and coordinating their reforms with some cities (indicating some ten cities), a breakthrough is achieved in an important link to act as a model to

effectively spur on overall enterprise reform, and "converting mechanisms and establishing the system" and "ten thousand, thousand, hundred, ten" are an organic whole.

To promote overall "conversion of mechanisms and establishment of the system" requires that all regions and departments and all enterprises do a good job in the following three efforts:

1. *Unremittingly persist in thoroughly implementing the Regulations on the Conversion of Mechanisms.* The Regulations on the Conversion of Mechanisms are the cornerstone for establishing the socialist market economy system. We should implement to the letter the rights and responsibilities conferred on enterprises by the Regulations on the Conversion of Mechanisms. First, we should implement the base of the fourteen autonomies, leading to enterprises' using autonomy well, sufficiently, and actively. Second, every department should formulate and implement accompanying regulations to the Regulations on the Conversion of Mechanisms. Third, we should continue to increase publicity and in cooperation with the procurator's department, we should investigate and prosecute cases of attacks and reprisals toward enterprises in violation of the Regulations on the Conversion of Mechanisms and expose them in the news to the point of pursuing legal responsibility. Fourth, seize the opportune time for government reform and promote conversion of government functions. This year we should make a breakthrough in handling self-management of foreign trade import and export rights and refuse to apportion rights, and improve methods of approval, simplify procedures, and improve efficiency of foreign trade import and export rights. We should let enterprises that have already been given the rights to manage imports and exports themselves enjoy the same rights as foreign trade enterprises in such aspects as export licenses and allotment of quotas. We should curb arbitrary apportionment as an important way of coming to grips with anti-corruption. Regions and industries should combine their actual situations and formulate specific methods to curb arbitrary apportionment and announce them to the masses and enterprises to be monitored and enforced.

2. *Organize the implementation of the Supervision and Management Regulations and establish a system for supervision and management of state assets.* The Supervision and Management Regulations are the completion and development of the Regulations on Converting Mechanisms. The Supervision and Management Regulations are mainly aimed at the current situation of mismanagement and serious erosion of state assets. On the one hand, relevant departments should take responsibility for supervising the state assets of enterprises that they are assigned to supervise and as needed conscientiously assign supervisory board tasks. On the other hand, we should determine enterprise legal person property rights and establish a system of asset management

responsibilities linked to the managers' own interests, increasing their value based on ensuring that state assets are not eroded.

3. *Actively and safely establish a modern enterprise system.* Assisted by the Central Committee financial and economic leading group, with our commission taking the lead together with more than ten departments, we have investigated and studied the subject of a modern enterprise system and at the demand of the financial and economic leading group, we have taken steps to establish a modern enterprise system. We believe that in establishing a modern enterprise system, we should especially pay attention to doing a good job of handling the relations between experimental enterprises and other enterprises. All enterprises should conscientiously implement the Regulations on Conversion of Mechanisms and the Regulations on Supervision and Management and carry out the Accounting Standards and the General Rule on Financial Affairs and reform enterprise labor, personnel, and wage allocation systems, lighten the social burdens that enterprises handle, clear up credits and liabilities, reappraise stocks and assets, and demarcate property rights. This is the main content of the current enterprise reform and creates the necessary conditions for establishing a modern enterprise system. This means that in carrying out the reforms described above we are giving impetus to state enterprises' moving in the direction of a modern enterprise system. This is a reform that all enterprises should now conduct. At the same time, we should recognize that establishing a modern enterprise system is an arduous and complicated task, especially for a state enterprise to become a company requires trials. We should guard against all enterprises rushing to reorganize as companies, watering down or overlooking the Regulations on Converting Mechanisms and the Regulations on Supervision and Management.

While generally steadily promoting "conversion of mechanisms and establishment of the system," we should use the "ten thousand, thousand, hundred, and ten" form to realize key breakthroughs. "Ten thousand" means to thoroughly implement the Enterprise Law and the Regulations on Converting Mechanisms and do a good job of carrying out the Two Standards in 10,000 large and medium-sized state enterprises and accomplish the task of reappraising stocks and assets and essentially accomplish conversion of mechanisms. "Thousand" means that in implementing the Regulations on Supervision and Management, the state by stages and in groups should assign supervisory boards to 1,000 key mainstay enterprises related to the national economy and the people's livelihood and inspect the state assets of the enterprises. This task is beginning. "Hundred" means with the unified leadership and planning of the State Council, to select 100 large and medium-sized state enterprises of different types to establish an experimental modern enterprise system and explore ways for state enterprises to become companies. "Ten" means in some ten cities to conduct experiments with the complete reform of "optimizing the capital structure and

increasing enterprise strength" and strive to achieve breakthrough progress on the key and difficult problems of getting large and medium-sized state enterprises into the market and taking part in competition.

II. The Object and the Main Content of Selecting Some Cities to Conduct Complete Experimental Reform

After the suggestion to select ten cities to conduct experiments to "optimize capital structure and increase enterprise strength" was proposed at the national economic and trade working conference, it aroused the general interest of provinces and cities throughout the country. Altogether official letters have come from 27 provincial and municipal governments throughout the country requesting that 39 cities conduct the experiment. To do a good job of conducting the experiment together, nine ministries and commissions, our commission together with the State Planning Commission, the Ministry of Finance, the Ministry of Labor, the People's Bank, the Auditing Administration, the General Bureau of Taxation, the State Assets Bureau, and the Bank of Industry and Commerce, formed the "city experiment cooperative working group" and, dividing forces in all directions, we conducted on the spot investigation and research. On this basis, the document put out jointly by the nine ministries and commissions determined the sixteen cities of Tianjin, Tangshan, Taiyuan, Shenyang, Changchun, Qiqihar, Shanghai, Changzhou, Bengbu, Qingdao, Zibo, Wuhan, Zhuzhou, Liuzhou, Chengdu, and Baoji would conduct the experiment in "optimizing capital structure and increasing enterprise strength," and reported it to the State Council. Cities such as Chongqing and Harbin, formerly designated as the six old industrial bases, were not listed among the sixteen cities. Based on the strong demands of the two cities and the proposal of the provincial governments, consideration was given to the reform and development needs of the old industrial bases, and with the consultation of the nine ministries and commissions, Chongqing and Harbin were listed as associates and based on their situation they will conduct comparable experiments and attend working conferences related to the experiment.

According to the data from this investigation and research, the sixteen cities together have 3,199 large and medium-sized state industrial enterprises, 21.3 percent of the large and medium-sized state industrial enterprises in the country, and 8.3516 million workers, 23.20 percent of the workers in state industrial enterprises in the national budget. These enterprises together have gross assets of 467.26 billion yuan and net assets of 139.4 billion yuan, respectively making up 18.2 percent and 17.9 percent of the state industrial enterprises in the national budget. The 1993 principal indicators and their share of state industrial enterprises in the national budget were: gross value of industrial output 321.726 billion [yuan], 23.2 percent; sales receipts 358.73 billion, 19.8 percent; profits and taxes achieved 53 billion, 24 percent, within which profits were 27.401 billion, 44.20 percent. That is less than one-fifth of the large and medium-sized state enterprises with one-sixth of the net

assets created more than one-fourth of the profits, indicating that these new and old industrial bases still have potential, but current problems are not small.

In selecting the cities described above to conduct the "optimize capital structure and increase enterprise strength" experiment, the three main considerations were:

1. *The base for establishing the socialist market economy is large and medium-sized state enterprises.* In the crucial period for converting from the old to the new system, we should seize the opportunity and realistically increase the strength of state enterprises. This year, with the implementation of macroeconomic system reforms, the external environment of enterprises is greatly changing and a fair competition environment is gradually forming and large and medium-sized state enterprises are facing development opportunities and serious challenges. So, on the one hand, we should direct enterprises' gazes inward and painstakingly develop inner skills, and especially by strengthened implementation of the Bankruptcy Law, we should weed out enterprises that there is no way to save and increase enterprises' sense of urgency and sense of crisis and promote the conversion of enterprise operating mechanisms. At the same time, we must face up to the situation with state enterprises and by feeling out the situation and what the financial strength of each sector will allow, grasp the precious opportunity to transition from the old to the new system and, seeking truth from facts, determine the residual problems that the old system gives enterprises and create favorable conditions for large and medium-sized state enterprises to go into battle with a light pack and make great strides in entering the market.

2. *Enterprise reform still is a key and a difficulty in current reforms and we must obtain experience through experimentation.* Enterprises still are the greatest difficulty in the current establishment of the socialist market economy and intensification of reforms. Despite the fact that other aspects of reform also are rather difficult, we generally can learn from foreign experience. For example, in the differentiated tax system, most Western countries have implemented this type of financial and tax system and in banking, most countries in the world have established different types of banks. But there still is no foreign precedent for how we can make these vast state enterprises smoothly enter the market and participate in equal competition. We can only look to privatization and this does not conform to China's national characteristics. We definitely cannot take this road. State enterprises are the mainstay of the market economy and the ultimate undertaking of reforms. If complete reforms do not arrive, there is no way for state enterprise reform to be intensified. But if reform of state enterprises is not effectively advanced, it will be difficult for other reforms ultimately to be accomplished. So, reform of state enterprises has a widespread involvement and numerous problems, and the situation is complicated. We must

painstakingly organize experiments and in practice explore and review experience to advance the task that we are faced with.

3. *One possible way to do a good job with state enterprises is to rely on the cities to accomplish comprehensive rectification.* Reform already has penetrated to today. Resolving deep-seated key and difficult enterprise problems can no longer go the old way of reducing taxes and conceding profits. It is necessary to optimize enterprise organizational structure and capital structure with adjustments; establish property rights exchange markets with reform of the property rights system; and establish an integrated labor force market with an improved social insurance system. In these respects, fully utilizing city functions and regional advantages is well worth doing.

In sum, the objective of conducting urban experiments is to seek a new line of thinking and new methods to do a good job on large and medium-sized state enterprises through these experiments. That is, taking large and medium-sized state enterprises as the key and using cities as the basis, closely focus on current key and difficult problems and by complete reforms and comprehensive rectification, strive to obtain breakthrough progress and strengthen large and medium-sized state enterprises to effectively combine the public ownership system and the market economy to lay a firm foundation for establishing the socialist market economy.

To accomplish the goals described above, the main content of the urban experiment can be simply summarized with eight characters: bankruptcy [pochan (4275 3934)], replenishment [buchong (5943 0339)], stripping [boli (0475 4418)], and lightening the load [qingzhuang (6535 5944)]. The first thing is to strengthen the implementation of the Bankruptcy Law and step up organizational restructuring of enterprises. Those enterprises that do not have the resources to pay off their debts in kind and have no hope of turning around their losses and cannot clear the debts that are due should be declared bankrupt and, by means of the experimental norms, we should proceed with legislation to promote the conversion of operating mechanisms. The Bankruptcy Law has been officially implemented since 1988. It has already been six years. Although the number of enterprises that have relied on the law through the courts to declare bankruptcy has increased from year to year, for various reasons, such as the systems, the concepts, and the overall situation, mechanisms to select the superior and weed out the inferior still have not been completely established. This time we should use the cities as a basis and truly establish a weeding out mechanism external to the enterprises and self-restraint mechanisms within the enterprises and bring along and advance the establishment and improvement of a social insurance system. We should rely on cities to establish a property rights exchange market and by property rights exchanges optimize asset accumulations and enhance the basic function of the market in asset distribution. Secondly, we should adopt various measures and multiple channels to

replenish enterprise self-circulating funds. First, enterprises should fully utilize policies already in effect such as income tax rate cuts, the abolition of adjusted taxes and "two funds," and not submitting after tax profits in the near term, and implement the Two Standards to accelerate depreciation and conscientiously replenish circulating funds. Half in principle, enterprises should use exemption from submitting "two funds" and after-tax profits to replenish circulating funds. At the same time, the central government, departments, and localities also should strive together to replenish enterprise capital by multiple channels and resolve the problem of a serious inadequacy of enterprise production and operating funds and realistically strengthen enterprises. The third thing is to establish labor force markets, strip enterprise social functions, and improve the social insurance systems with cities as the center. The test cities should gradually take on various functions for society. For example, arrange for such functions as enterprises' surplusing by various channels to create the conditions for intensifying the reform of three internal enterprise systems. The fourth thing is to feel out situations, structures, and contributing factors to the unreasonable burdens that the old system has formed for test city large and medium-sized state enterprises, and by stages and in groups resolve the problems described above. We should review our experiences while experimenting, and give impetus to the task that confronts us and strive by the end of the Eighth 5-Year Plan to be able to completely implement the regulations to convert the enterprise operating mechanisms of large and medium-sized state enterprises, the mainstay of the national economy, and get them into the market and participating in competition.

Reform of Property Rights System

94CE0504A Beijing ZHONGGUO GUOQING GUOLI
[CHINA NATIONAL CONDITIONS AND POWER
MONTHLY] in Chinese No 3, 28 Mar 94 pp 12-13

[Article by Hu Deqiao (5170 1795 1564), affiliated with the State System Reform Commission's General Office: "Storming the Fortifications: Reform of China's Property Rights System"]

[Text] As property rights is a crucial economic system matter, property-rights system reform is the crux of economic system reform.

In China's 15 years of reform and opening, our property rights relations have undergone a great change. In the last two years in particular, our pace of property rights reform has clearly accelerated.

I. The Ownership Structure

As to the proportional structure of our national GVIO and retail commodity sales, from 1978 to the end of 1992, our ratio of output value to gross value of industrial output dropped from 77.6 percent to 48.3 percent

for state industrial enterprises, with this ratio for collective industrial enterprises up from 22.4 percent to 38.2 percent, and for other industrial enterprises, such as foreign-funded enterprises, individual, and private, up from zero to 13.5 percent. In retail commodity sales, the state-sector percentage dropped from 54.6 percent in 1978 to 41.3 percent by 1992, with the percentage down for the collective sector from 43.3 percent to 27.9 percent, but up for other economic components from 2.1 percent to 30.8 percent. This shows that our unitary public-ownership system has been replaced by a group-ownership structure dominated by public ownership.

II. Upgrading the Shareholding System

In the last two years, China has created a good public climate for shareholding-system experiments, making these two years our historical stage of the best and fastest growth for shareholding-system enterprises. By the end of 1993, China had over 10,300 experimental shareholding enterprises in all fields, with 182 joint-stock companies from more than 20 provinces and autonomous regions throughout China listed in Shanghai and Shenzhen, for an overall stock market value (for A shares) of about 400 billion yuan. In 1993, while actively issuing shares to the public and continuing to expand the supply of experimental B shares offered to foreign investors, nine of our strongest state enterprises raised capital on international money markets. In addition, the number of urban shareholding enterprises had topped 100,000 by the end of 1993. And rural shareholding-cooperative enterprises have grown rapidly in number to 2.08 million, making up 10 percent of all township enterprises in China.

III. Foreign-Investment Attraction and Capital Export

China has basically evolved a new order of a "three-coast" open front along the coast, the rivers, and the borders and an overall opening on all levels in the hinterland regions, steadily improving our foreign investment climate. Statistics show that 126 countries and regions have invested in China, with the largest investment from Hong Kong, and next from Taiwan and the United States. We have accumulated 167,500 foreign-funded enterprises. By the end of 1993, China had approved 174,000 foreign-invested projects, for contracted foreign investment of \$217.216 billion, and an actual foreign investment of \$56.912 billion. China has become the country with the largest inflow of foreign investment in the world.

In the last two years, foreign-funded enterprises have begun to gradually expand from coastal zones toward inland provinces and cities and western China.

China is not only the largest recipient of foreign investment, but also the largest capital exporter among developing countries. China has set up and invested in 4,497 enterprises in over 120 countries and regions, with 2,927 being trading enterprises, and 1,570 non-trade ones, for an overall Chinese investment of \$5.16 billion.

IV. Practicing "State Ownership but Private Operation" for Small State Enterprises

In the last two years, we have conducted reform experiments mostly in the forms of leasing and leased sale, which has become a reform hotspot for our state commercial, supply and marketing cooperative, and grain systems throughout China. Provinces or prefectures, cities, and counties in northeastern, northern, western, eastern, and south-central regions are practicing "state ownership but private operation" for enterprises on a large scale, with this percentage at 60 percent for Henan, 43 percent for Hebei, 20 percent for Anhui, 35 percent for Nanjing, 60 percent for Chongqing, and 60 percent for Beijing's commercial system. This reform has achieved marked success.

V. Property-Rights Transaction Markets

Over 20 provinces and more than 10 cities authorized to formulate their own plans independently throughout China, such as Shanxi, Liaoning, Jilin, Heilongjiang, Henan, Hunan, Hubei, Fujian, Sichuan, Jiangsu, Guangdong, Changchun, Shenyang, Dalian, Wuhan, Nanjing, Guangzhou, Shenzhen, Chengdu, Nanning, Kunming, Wuxi, and Lanzhou, have established over 120 property-rights transaction markets of varying degrees and sizes.

As China's property-rights transactions have just now started, their volume is still less than 1 percent of the proper market access, far below the property-rights transaction economies of scale. Analysis estimates that our domestic assets in urgent need of turnover amount to 1 trillion yuan, with 30-40 percent in a state of inefficiency or idle. This shows that China's property-rights markets and transactions are in urgent need of breakthroughs.

VI. Individual and Private Economies

By the end of 1993, China's private enterprises had grown to 238,000, employing 3.726 million, with registered capital of 68.05 billion yuan, and annual tax payments (including individual industrial and commercial operations) topping 29 billion yuan. Private enterprises accounted for respectively 4.1 percent, 18.1 percent, and 7.8 percent of our national industrial output value, retail commodity sales, and industrial and commercial taxes. Our private-economy industrial structure grew steadily more rational, with the percentage of private enterprises engaged in tertiary industries at 41.9 percent, of which private S&T advisory enterprises grew fastest to number 3,871, up 220 percent from the same period in 1992.

Meanwhile, individual industrial and commercial household operations have also grown quickly. By the end of 1993, they had grown to 17.67 million throughout China, with registered capital of 85.48 billion yuan, employing 29.39 million. In addition, China's private S&T enterprises have also shown much vitality. Incomplete figures show that by the end of 1993, they had

topped 50,000, employing more than 800,000, with gross income from technician trade exceeding 25 billion yuan.

VII. Enterprise Mergers and Bankruptcy

1. As enterprise mergers began sooner, they have made smooth progress. Data for the 1980s show that 25 provinces and cities and 13 cities authorized to formulate their own plans independently throughout China merged 6,226 enterprises with 6,906 others, for newly moved stock assets of 8.25 billion yuan, reducing losing enterprises by 4,095 and enterprise losses by 522 million yuan. In the last two years, enterprise mergers have been even more successful. By the end of 1993, the number of merged enterprises had topped 10,000, cutting down on a large group of losing enterprises, and freeing up a large amount of idle assets.

2. A number of enterprises have been eliminated through market competition and gone bankrupt according to law. From the time our "Bankruptcy Law" took effect in 1988 through the first half of 1993, 356 enterprises went into legal bankruptcy due to poor management and longstanding losses, of which 88 were state-owned, and 268 were collective and other types of enterprises. Enterprise bankruptcy is an inevitable outcome of a market economy and the laws of competition. We need to improve our dynamics in this area so that, while continuing to set up and improve our social security system, we can promote more enterprise bankruptcy according to law, and establish as quickly as possible bankruptcy mechanisms suited to modern market-economy needs.

VIII. Inventorying Assets and Funds

The experimental job of inventorying assets and funds throughout China began in 1992. By 1993, the experimental scope had expanded quickly to 9,401 state enterprises, with 825,000 administrative-institution units conducting assets checks. These checks began to clarify "resources," reinforcing enterprise development stamina. After revaluation, the fixed assets of the 9,401 enterprises appreciated 42 percent, or 180 billion yuan. As to the checking of administrative units, by 31 December 1992, for 824,496 state administrative-institution units throughout China at and above the town and township level (not including Shanghai Municipality, enterprises, and military institutions), overall verified assets were worth 836.479 billion yuan, up 143.623 billion yuan from their pre-check book value of 692.856 billion yuan, or 20.7 percent. Our inventorying of assets and funds in 1994 will focus mainly on experiments in converting enterprise operating forces, practicing a state-assets oversight system, and setting up a modern enterprise system, with the number of experimental enterprises kept at about 10,000, mostly large and midsize ones. This will include 1,000 enterprises experimentally practicing the state-assets oversight system, 100 experimentally setting up a modern enterprise system, and other enterprise experiments in areas, such as incorporation and shareholding.

As to state-assets property-rights registration, we completed in 1992 yearly property-rights registration for 1,373 grade-1 central enterprises, registering state assets worth 891.86 billion yuan, for state capital worth 634.92 billion yuan. We conducted a yearly registration for 15,357 enterprises below grade-2 with trustee management by all sectors, registering state assets worth 120.6 billion yuan. In addition, we also counted state assets. The data for 1992 show state assets throughout China worth more than 3 trillion yuan.

IX. The State-Assets Management System

1. We have actively conducted comprehensive reform experiments of our state-assets management system. To promote the separation of government administration from business management, sever the administrative subordinate relations between enterprises and the government sector, and separate the government's administrative functions from its state-assets-ownership management functions, in 1992 in Tianjin, Shenzhen, Fujian's Quanzhou, and Sichuan's Deyang we first began to set up and prepare to set up full-time government management organs for state-assets ownership, establishing first in Shenzhen and then in Quanzhou city-level state-assets management commissions. Shanghai set up in 1993 a state-assets management commission. Shenzhen and Quanzhou have also conducted experiments in giving property-rights mechanisms access to enterprises, in which experimental enterprises set up ownership representative-agency boards of directors, to practice the president responsibility system under the leadership of a board of directors.

2. We have conducted experiments in establishing investment-management and special property-management companies subordinate to the State Administration of state property sector. Data from some provinces, cities, and regions show that by the end of 1992, 36 such companies had been set up. Cities, such as Shenzhen, Beijing, and Qingdao, have also set up special state-property management companies. Qingdao has removed its No 1 Light Industry Bureau, establishing the Qingdao Yiqing Industrial Corp to specially manage its state property. This corporation is commissioned by the municipal government to manage the state-enterprise assets of the former No 1 Light Industry Bureau, having used operations, such as investment, shareholding, mergers, joint operations, compensated transfers, assets transfers, and joint and contractual joint ventures, to optimize its industrial structure and product mix, achieving assets appreciation and profit maximization.

3. We have conducted reform experiments in authorized management of state property. In April 1993, the state set eight enterprise groups as China's first batch of authorized-management experiments for state property, in which the State Administration of State Property sector uniformly authorized the enterprise groups' core enterprises to manage the state property of their closely

integrated member enterprises, establishing a property-rights link between the core enterprises and their closely-integrated members, making the core enterprise the enterprise group's parent company, and the closely integrated members its subsidiaries, to achieve group management, and bring overall advantages into full play.

4. State-property evaluation organs are essentially established, with evaluation services beginning to form up. Incomplete figures since 1990 show that there are now over 1,000 evaluation organs qualified for assets evaluation and authorized at the provincial level and above, with staffs of nearly 20,000. By June 1993, over 22,000 assets evaluations had been conducted throughout China, with the evaluated assets having an original book value of 290 billion yuan, and a net book value of 230 billion yuan, which appreciated to 360 billion yuan after evaluation, for an average appreciation rate of 57 percent.

X. Legal Establishment

Since reform and opening, China has drawn up and put into effect a series of laws and regulations concerning property-rights system-reform. We are now preparing to draw up others, such as a state property law, a shareholding-cooperation enterprise law, a real estate law, a stock law, an auction law, and a wholly foreign-owned enterprise law.

100 Pilot Units Chosen for Modern Enterprise System

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[Article by Bai Yingzi (4101 5391 1217), the State Economic and Trade Commission's Enterprise Corporation: "100 Pilot-Project Enterprises Engage in Key Endeavor To Set Up a Modern Enterprise System"]

[Text] A modern enterprise system is one that is suited to the needs of our socialist market economy, based on perfecting our enterprise incorporation system, characterized by a system of limited liability, and uses the main form of incorporated enterprises. The "CPC Central Committee Resolution on Certain Issues Involved in Establishing a Socialist Market Economy" passed by the Third Plenary Session of the 14th CPC Central Committee points out that: "A modern enterprise system dominated by public ownership is the grounds for our socialist market economy." "As establishing a modern enterprise system is a necessary requirement for developing socialized large-scale production and a market economy, it is China's state-enterprise reform direction." To implement this "Resolution" of the Third Plenary Session of the 14th CPC Central Committee, the State Council has decided to choose 100 state enterprises as pilot units for practicing a modern enterprise system, charging the pertinent departments, such as the State Economic and Trade Commission and the State System

Reform Commission, with the job of drawing up specific plans and organizing their implementation.

I. Establishing a Modern Enterprise System Was Our Inevitable Option for State-Enterprise Reform

Ever since China began to reform and open up, state-enterprise reform has held the central position in national economic reform, remaining our whole economic-reform priority and difficulty. This reform has adopted measures, such as profit commissions, conversion from profits to taxes in two steps, and the contract system, making a certain amount of progress in expanding enterprise decisionmaking power, and increasing enterprise operating vitality to a certain extent. And the putting into effect of the "Enterprise Law" and the "Forces-Conversion Regulations" has further promoted the implementation of enterprise decisionmaking power, laying the grounds for enterprise market access. But state-enterprise reform measures are still essentially the outcome of the authority-devolution and profit-concession ideology, not yet having involved an upgrading of our traditional enterprise system under our planned economic system per se, with longstanding state-enterprise problems, such as no separation between government administration and business management, unclear property rights, no enterprise autonomy, and unsound self-restraint forces, never having been essentially solved, leaving state-enterprise vitality obviously still relatively inadequate, enterprise activities hard to standardize, and economic efficiency less than ideal. The facts prove that further intensification of reform will mean resolving deeper conflicts, by adjusting the policy of mainly devolving authority and conceding profits to the creation of an enterprise system characterized mostly by clear property-rights relations, and through exploring effective ways to combine our state economy with a market economy, to find new ways for running state enterprises better.

A modern enterprise system using the main form of company incorporation has four obvious features: 1. Property-rights relations are clear, effectively achieving the separation of investor's ownership rights from enterprise corporation property rights. 2. The relations between rights and liabilities are clear, with enterprises having corporate assets, giving them the right of independent decisionmaking, while reinforcing their liabilities for their own profits and losses and for preserving and multiplying the capital put up by investors. 3. The establishment and operation of corporate ruling bodies, such as shareholder meetings, boards of directors, executive departments, and boards of supervisors, forms balance and restraint forces to regulate the relations among owners, corporate delegates, operators, and employee collectives. 4. It contributes to fundraising, creating a good form for expanding production scale and achieving capital socialization. So reorganizing state enterprises into modern incorporated companies paves

the way for cutting the umbilical cord between government administration and business management, rationalizing state-assets property relations, and genuinely converting the operating forces of state enterprises.

II. The Planning and Methodology Involved in Choosing 100 State Enterprises as Pilot Units for a Modern Enterprise System

The "Resolution" points out that: "As the establishment of a modern enterprise system will be a difficult and complex task, we will need to accumulate experience, create conditions, and proceed gradually." "Having state enterprises practice a corporate system will be a valuable exploration in the establishment of a modern enterprise system." The enterprise practice of a corporate system will be not simply a change of name, but rather an emphasis on converting forces, "which will proceed gradually through pilot units, with absolutely no formalism or precipitate action." To ensure that the pilot units proceed effectively, the pertinent departments, such as the State Economic and Trade Commission and the State System Reform Commission, have drawn up detailed plans and methods for the 100 pilot enterprises.

1. The Pilot-Unit Goals

The goals to be reached through pilot units are: To search for effective ways to combine public ownership with a market economy, spurring enterprises to convert their operating forces, improving economic efficiency, and further freeing up and developing the productive forces; to explore ways to separate administrative and business functions, enabling enterprises to thoroughly break free from their status as subsidiaries to government administrative bodies, with the government not directly involved in enterprise production and operation activities, so that enterprises can truly gain access to markets and make their own operating decisions based on market demand; to accumulate experience for rationalizing property rights relations, establishing enterprise corporate property rights, enabling enterprises to become genuine corporate entities enjoying civil rights and charged with civil liabilities, and consolidating the capabilities of civil rights and actions, to conscientiously achieve liability for profits and losses; to perfect the leadership and organizational management systems within enterprises, advancing in the direction of standardization and more scientific, to evolve clear rights and liabilities, unity and cooperation, and mutual restraint forces within enterprises.

2. The Pilot-Enterprise Selection

The selection of pilot enterprises was based on the following principles and terms: 1. As to enterprise size, it was mostly large and medium-size state enterprises, focused particularly on aging enterprises in urgent need of technological upgrading; 2. As to enterprise qualifications, it included the best, the intermediate, and the worst, mostly enterprises that better implemented the "Forces-Conversion Regulations," had leading bodies of high quality, and had better economic efficiency, along

with an appropriate selection of a few losing enterprises in line with state industrial policy; 3. As to industrial distribution, it was mostly industrial, commercial, and trade enterprises, with an appropriate selection of enterprises in other industries, such as transportation, construction, and high-tech; 4. As to regional distribution, it was mostly enterprises in regions and cities where market forces had developed faster and external conditions were better, with an appropriate selection of enterprises from other regions; 5. As to form of enterprise organization, it was mainly enterprises that had not conducted corporate reorganization, along with the selection of a few enterprises that were already corporations for standardization.

3. The Key Substance of Enterprise Reorganization to Corporations

A. Perfecting the Enterprise Incorporation System

The pilot enterprises had to first act in accordance with the relevant state provisions, by inventorying their assets and funds, delimiting their property rights, liquidating their bonded debts, evaluating their assets, verifying their enterprise corporate assets possession, and checking their capital funds.

Capital contributors exercise assets ownership, enjoying legal shareholding rights in line with the percentage of shares held, such as asset income, and major decision-making and selection management, having limited liability to the enterprise based on capital contributed. Capital contributors are not directly involved in specific enterprise operations, being unable to directly budget corporate assets or withdraw assets or shares, but able to sell in accordance with law.

Enterprises hold corporate property rights, independently enjoying civil rights and accepting civil responsibilities for all corporate assets, with legally independent decisionmaking power and liability for profits and losses, and charged with the liability to capital contributors for preserving and multiplying assets (capital). As independent corporate entities and market competitors, enterprises no longer have administrative subsidiary relations with government organs, no longer being ranked indiscriminately.

B. Determining Enterprise's State-Assets Investors

In line with the principle of separating the government's socio-economic management function from its state-assets ownership function, the state-authorized investment organ or state-authorized department is the state-assets investor, legally exercising stock-rights management of state assets in enterprises. As to enterprises in which it is currently hard to determine the state-assets investor, the government can authorize a certain department to act as state-assets investor, to exercise state stock rights. The organs responsible for state-assets management in state-authorized investment

organs or state-authorized departments do not perform any government administrative functions for enterprises in which they hold shares.

C. Setting the Form of Enterprise Corporate Organization

In line with the principle of graded guidance, enterprises that produce certain special products or those in designated industries should be reorganized as wholly state-owned corporations; most enterprises should be reorganized as limited liability companies; qualified ones can be reorganized as limited-liability companies, with only a few to be listed; while national industrial head offices can be reorganized as state holding companies, they should not generally operate as one company to monopolize a whole industry; enterprise groups are reorganized according to their parent-company systems.

Reorganizing state enterprises into limited-liability companies in which multiple shareholders hold stocks is the focus of the corporate reorganization. This can be achieved through ways, such as converting creditor rights to stock rights, attracting foreign-investment shareholders, investment in shareholding among enterprises, and absorbing some institutional and fund investment into shareholding. Qualified enterprises can experiment with standardized employee shareholding.

D. Establishing a Scientific and Standardized Corporate Administrative Structure

Based on the principles of separation but mutual restraint among the rights, operating, and oversight structures and capability and efficiency, we have formed a corporate administrative structure composed of shareholder meetings, boards of directors, boards of supervisors, and managers, ensuring clear rights and responsibilities, with each performing their own functions, to effectively exercise decisionmaking, oversight, and executive authority.

The shareholder meeting is the company's highest organ of authority. State-authorized investment organs or departments and other capital contributors select delegates to take part in shareholder meetings and exercise authority according to law.

The board of directors is the company's operating-decision body. Boards of directors are elected by shareholder meetings, with shareholders recommending candidates, which become members of boards of directors according to legal procedures, to be liable to all shareholders. The board chairman is the company's legal representative.

The manager is hired or fired by the board of directors, with no direct hiring or firing by government administrative organs or shareholder meetings. Managers are responsible to boards of directors, entrusted by company charters and boards of directors with all responsibility for the company's regular production and operating management.

The board of supervisors is the company's oversight agency, responsible to the shareholders convention. Boards of supervisors are made up of shareholder representatives and a suitable percentage of company-employee delegates, produced through democratic elections by company employees. Board, manager, and financial officers may not serve concurrently on boards of supervisors.

Price Institute Research Group Forecasts Prices for 1995

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[Report by the Price Research Institute's Forecasting Group (Principal researcher: Chen Dejun (7115 1795 1415); co-drafters: Cao Jianjun (2580 1696 6511), Liu Xuming (0491 2485 2494) and Ling Bin (0407 1755)): "Basic Estimates of Price Trend in 1994"]

[Text] I. Basic Situation in Economic Growth and Price Trends in 1993

In 1993, China achieved notable results in economic construction: compared to 1992, GNP increased by 13 percent, per capita GNP exceeded 2,500 yuan, estimated increase in agricultural output value in constant price increased by 3.7 percent, total grain production reached 456.4 billion kilo and total oil production 176.1 billion tons. Total industrial output value in constant price increased by 19.5 percent. Citizens income also increased. Adjusted for the price factor, the estimated annual per capita income of urban residents increased by 10 percent, and of peasants by about 2 percent. Total personal savings exceeded 300 billion yuan. The market was active, and the total value of consumer goods retail sales, adjusted for price rises, increased by 9 percent in real terms. The total value of 1993 exports approached \$190 billion, an increase of around 15 percent over 1992.

Despite the favorable figures cited above, China's economy also contains numerous salient contradictions, and the newly created contradictions combined with the long-standing ones have led to sharp rise in the overall price level in 1993, exerting a great impact on functions of the economy in 1994. In 1993, the national retail price index increased by 13 percent over the prior year, with increases in prices of a range of consumer products including import products, in costs of labor and in production materials. After mid-July as a result of the macroeconomic controls exercised by the Central Government, the overall price level and prices of some important production materials began to show some decline. But after November, the inflationary trend was again strengthened. The fourth quarter price situation was particularly serious. With the living cost index rising in the large and medium cities, reaction of low-income citizens and university and middle school students was particularly adverse. Increase in prices of agricultural production materials exceeded prices of agricultural

products, creating unfavorable conditions for agricultural exchanges in the rural areas. Given the overall price increases, however, price levels of energy, rail transportation, certain basic products and infrastructure facilities were still low.

The main reasons this type of situation has developed are as follows:

1. Development of infrastructure enterprises is sluggish and out of step with general economic development.

Development in China's infrastructure enterprises, energy, transport and transportation has been lagging, and the situation still had not improved by 1993. Year-end 1993 statistics indicate that rail transport capacity increased by only 3 percent over the prior year. Basically no new rail lines have been put in service in 1994, and inadequate rail transport has been one of the most critical areas in the last several years. The Electric Power Ministry estimates that China at present suffers an overall 20 percent shortfall in electricity supply, with shortage in the Beijing, Tianjin and Tangshan area of 8 billion watts, the Northeast region 3-5 billion watts, while East China historically has a shortage of electricity. Based on China's realistic needs, the elasticity coefficient for electricity should be greater than 1.2, but in actuality it averages only 0.95. Although the overall quantitative supply of coal and charcoal can be considered in equilibrium relative to demand, but affected by transportation shortfall, the coal supply for economically developed areas in East China and South China is still tight. The demand for steel can only be met by large imports and by the importing enterprises bearing added transshipment costs. Rapid economic development has created strong demands for basic products and infrastructure facilities which led directly to increased market prices of basic products; and because higher cost of supplies add to costs of production, it provides strong impetus for overall price increase.

2. Supply-demand dislocation as a result of imperfect market structure and inefficient circulation channels.

Circulation of commercial products in China is disjointed often because of sluggish information flow, monopoly, territorial division and untimely supply organization. For example, in late November 1993, Guangdong led off with major grain price increases, which gradually affected prices in areas such as Hubei, Hunan, Anhui and Jiangxi, and soon enough the North, producing grain price fluctuations over a large area. In reality, China's total grain supply was adequate and reserves also ample, but supply shortage in grain trading departments in some areas and untimely grain transport to meet shortfalls in other areas resulted in grain supply-demand disequilibrium in various markets which could not be remedied [with supplies distributed] in a timely way.

3. Inadequate supply to meet market demand is underlying anxiety of an active market economy.

Rapid economic growth and significant price increases demonstrate that demand is strong and the market

active. But the underlying situation is one of lagging market supply to meet demand for certain products; for example, the demand for textile products is sluggish while demand for household electrical products well satisfied, or the supply of cement is such that reserves for a whole year amount to some 210 billion tons. Warehousing of products by state-owned large and medium-sized enterprises continues to increase, and the total warehouse reserves by year end is estimated to increase by over 12 percent compared to the prior year. In particular, because peasants income increase has lagged in recent years, sales in rural markets of agricultural production materials have been sluggish, and low demands for products of rural industries will affect the latter's ability to recover from the slump. In terms of the projected expanding scope of industrial production, this is an underlying danger.

4. While money in circulation is already excessive, a situation of inadequate liquidity to settle accounts still exists.

Since 1992, money in circulation has increased by close to 40 percent in each of the two succeeding years. In this same period, the economy grew by 27 percent, and prices increased by 19 percent. The rate of increase in money supply is almost greater than the above two rates combined. Yet in many areas, liquidity is still quite a problem, and triangular debts of enterprises appear to be rising. Excessive amount of money in circulation is a serious threat in that it leads to further price inflation while inadequate liquidity for settling accounts generates pressure for additional infusion of money supply.

II. Analysis and Projection of Price Situation in the First Half of 1994

Based on operating condition of the national economy in 1993 and factoring in economic development and reform in 1994, it is estimated that the scenario in the first half of 1994 will still be one of high growth and high inflation, with the economic growth rate basically keeping in step with rate of price increase, both at probably more than 10 percent, but the possibility exists that the latter may increase faster than the former. The reasons for prices increasing faster are:

1. Tail-end effect of 1993 price inflation.

While the economic growth rate stayed at 13 percent in 1993, the overall urban living costs index reached 15 percent, while the index for 35 large and medium-sized cities exceeded 20 percent. Based on calculations, the residual effect of last year's price inflation on this year's retail price level amounts to 4-5 percentage points.

2. Large infusion of money supply creating underlying inflationary pressure.

The out-of-control infusion of money supply in the first half of 1993 was curbed by macroeconomic coordination

measures applied after July, but money in circulation was still excessive, and with further infusion of large amounts of money supply in the second half of 1993, the year-end monetary reserves of specialized banks reached a total of around 180 billion yuan; at present, money on deposits in banks has doubled compared to the amount in July last year, a substantial amount of liquidity which fuels demands. By the end of 1993, the total amount of money in circulation had increased four-fold compared to the end of 1992. In 1994, the Peoples' Bank of China's policy on new money supply is based on the projection of a rather high economic growth rate of 9 percent and new money of some 470 billion yuan, an increase of 17.8 percent. Therefore, the projected supply of new money will generate great pressure on market prices.

3. Imbalance in large-scale investments and enterprise structure remains a major impetus for price inflation.

Although the total of China's fixed assets investments has declined somewhat after "macroeconomic coordination," but the rate of increase in 1993 was still over 46 percent. It is estimated that with the changing production focus, state-owned enterprises will have a surplus capacity of some 1,440 billion yuan this year, a 40 percent increase over the year before; furthermore, due to regulations designed to facilitate development of the "bottleneck" enterprises, plans made to substantially increase investments in newly defined key projects and to utilize foreign capital investment in domestic facilities, it is projected that this year's total fixed assets investments will reach 1,300 billion yuan, an increase of 13 percent over the year before, and very possibly exceeding the 1993 total amount. Along with imbalance in large-scale investments, China's enterprise structure also lacks balance; in particular, infrastructure enterprises are thinly capitalized and weak, restraining increase in supplies of energy and resource materials, and contributing to widening the supply-demand gap. Therefore, a rising price level becomes necessary to generate increase in supplies.

4. Economic structural reform and its underlying effect on price reform.

Among the numerous economic structural reforms carried out this year, the most important ones which potentially impact on the overall price level include reforms of the systems of exchange rate, taxation and price structure. Regularization of exchange rate has facilitated foreign exchange access for domestic enterprises, but for the same reason can generate greater imports into China this year and lead to increase in the cost basis of the enterprise products. Although in reforming the tax system, efforts are made not to increase the tax burden of enterprises, but changes in the tax structure will inevitably bring about changes in the tax burdens of individual enterprise. The value added tax [VAT] will add to the tax burden of wholesale enterprises, but lessen the tax burden of retail enterprises. In addition, the VAT will be collected this year from previously untaxed trades such as grain, chemical fertilizers, medicine, hogs and

energy resources. Structural adjustments of prices will concentrate mainly in grain, oil, rail transportation etc., which will undoubtedly and directly result in market price increases.

5. Structural changes in salaries, wages and consumptions will also lead to rise in the consumers price index.

In recent years, citizens income level has risen considerably. Statistics indicate that in January-November 1993, the total value of all wages and salaries nationally increased by 21.8 percent over the same period of the year before; of the total, wages paid by people's work units increased by 21.9 percent, rural or collective economic entities by 15.1 percent, and other economic entities by 73.5 percent which represents an all-time high in historical terms. Non-wage income of workers and employees also reached a considerably high level. And the increased cost of labor is another important factor which drives up the cost of production and leads to price increase. Even more serious is the structural change in income. A typical study shows that at present 2 percent of the citizens have 30 percent of all income. Correspondingly, the market for consumer products is leaning toward the higher priced luxury products. A 2,000 yuan leather jacket is no longer considered a rarity. Demands of soap and cosmetic are for the imports or high-class products of foreign-funded enterprises; hot-selling products and others items rapidly becoming hot-selling products include motorcycle, air-conditioner, video-camcorder, camera, computer, stereo audio system, multi-feature color TV, refrigerator, telephone and other communications devices. These high-price consumers products are also setting the standard and exerting strong attraction for the middle and lower income groups. Therefore, although the overall market demand of consumers goods will not produce great changes, changes in the income structure and the structure of consumer goods market will exert upward pressure on consumers product prices.

6. Imperfect organization of market enables some products to create market and price fluctuation at any time

Markets in China are small-scale and loosely organized; supply and sales channels of many important commercial products are uncoordinated and disjointed, and monopolies in some markets and regional barriers are also rather serious problems. Therefore, in terms of maintaining overall market equilibrium in supply and demand for products, responses to certain policy measures or changes in psychological expectation can lead to a certain amount of market and price fluctuations. If such fluctuations occur regularly, prices will naturally react by strong upward movement.

III. Analysis of Whole-Year Price Trend in 1994 and Policy Recommendations

Viewed in the context of current economic condition and reform and opening in China, it is inevitable that the overall price level will rise substantially in 1994. Examined in terms of how the trend may develop, two

scenarios in the latter half of 1994 are possible: 1) Given intensification of economic structural reform and strengthening of macroeconomic controls, abnormal price fluctuations and price increases will be effectively controlled, and the overall rate of price increase will be kept in line with the national economic growth rate. 2) With the economy growing rapidly and double-digit inflation continuing its upward climb which lead to forceful adjustment in the economy, the result will be slowing down the rate of economic growth, but the two factors accounting for price rise have not been eliminated and prices will continue to rise creating the so-called slow growth with high inflation scenario. The effect of slow growth on prices is very serious; the effect of high inflation is also dangerous.

In order to prevent more serious inflation from taking place, controlling the overall price level should be one of the objectives of macroeconomic policy; therefore, the following policy or reform measures are recommended for consideration:

1. Maintain stable growth of the money supply.

China's monetary policy should strive to stabilize the money supply. Considering the fact that money in circulation is already excessive, the rate of increasing the money supply should be kept within the range of the combined rates of economic growth and planned price increases; at the most, the rate should not exceed last year's rate of increasing the money supply.

2. Strictly control increased supply and demand for investment capital

Controlling the demand for investment capital ultimately is done by reforming the investment and other economic systems. The current reform has not reached that stage, and government administrative coordination is still required. It is important that investment projects of different kinds or types be governed by different fiscal and taxation policies; commercially competitive projects with relatively high rate of returns should be required to pay higher market interest rates and higher tax rates; infrastructure projects requiring a longer time frame to yield relatively low returns should be given lower interest rates for commercial loans and paying lower taxes; for investments in public interest projects with low or no returns, the government should not only extend low interest special loans, but also encourage such investments through preferential policy treatments. In addition, the government should guide and coordinate the level of investments by various enterprises in different localities on the basis of the latter's developmental status.

3. Establish and perfect macroeconomic market coordination including tactics for indirect coordination.

To prevent abnormally large fluctuations in the commercial market, the government should focus on establishing a series of wholesale markets for agricultural sideline products and materials for industrial productions in the

large and medium-sized cities and localities where such products and materials are usually assembled and distributed. On the basis of such a foundation, the government should target products with different special characteristics and apply different direct or indirect macroeconomic coordinating measures. (1) Products with limited supply-demand elasticity such as grain, cotton, sugar, salt, agricultural pesticides and plastic film covering, the government should apply macroeconomic policy with a "guarantee supply" objective. The government must resolutely set up, in stages and by category, a storage and reserves system for important products, and realistically put into effect a fund for adjustment of special projects. The sales of these products and their stable supply in the market should be linked to enterprises being required to maintain reserves at a level within the range of government stipulated highest and lowest levels of reserves, and to follow government guidance in times of market fluctuations. (2) For industrial products with more flexible supply-demand elasticity, the government should emphasize establishment and standardization of wholesale markets, and as much as possible utilize economic measures to limit price fluctuations and, when necessary, reactivate the system of registering quoted prices. (3) Where industrial production materials dictate market supply and demand, the government should regularly fine tune macroeconomic measures such as monetary, fiscal and taxation policies, and exercise macroeconomic coordination as planned or when required.

4. Vigorously develop and expand rural markets.

In developing rural markets, in addition to leading enterprises to produce products which will sell in rural areas, the most important objective is to raise the peasants income. On the one hand, the government should adopt the policy of protecting and supporting agricultural product prices, but on the other hand, it needs to continue to encourage and foster development of rural enterprises and speed up the transfer of agricultural surplus labor to other pursuits. At the same time, we should give overall preferential treatment to agricultural investment.

5. Open up multiple investment channels and lead citizens to increase savings for various investments, and reduce demand pressure for hot-selling consumer products on the market.

At present, the most important step is to create conditions for citizens to save and invest in housing. The Government should further open up areas of financial investment so that citizens can channel their money from consumption into productive investment. Real estate reform should quickly help implement the objective of facilitating citizens buying their homes.

PROVINCIAL

Report on Ningxia Regional Economic, Social Development

94CE0512A Yinchuan NINGXIA RIBAO in Chinese
28 Apr 94 p 3

[Report by Dong Jialin (5516 1367 2651), director of the regional planning commission: "Implementation of 1993 Economic and Social Development Plan and Draft Plan for 1994"]

[Excerpts] 1. Economic and Social Development in 1993: Basic Situation

Guided by Comrade Deng Xiaoping's theory about building socialism with Chinese characteristics and the spirit of the party's 14th National Congress, people of all nationalities in the province worked hard to deepen reform, broaden the open policy, and accelerate development in 1993. There were remarkable achievements in all areas of economic and social development.

1) Economic Development Reaches New Level; Structural Adjustment Scores New Progress

Gross output value stood at 9.65 billion yuan for the entire year, up 10 percent, a gain of 2.5 percentage points over last year and higher than the goal of 9 percent set at the beginning of the year. Specifically, the primary industry grew 5.5 percent, the secondary industry 12.9 percent, and the tertiary industry 9.5 percent. The rural economy developed across the board. Grain output for all 1993 reached 2.03 billion kilograms, 104.3 percent of the target and a historic high. There was a substantial increase in acreage planted with barley, assorted legumes, soybean, vegetables, herbal medicines, and tobacco, which are highly sought after on the market and fetch good prices. Township and town enterprises continued their strong momentum, their gross output value hitting 3.05 billion yuan for the year as a whole, up 42.8 percent from the preceding year. Industrial output rose steadily, expanding by 3.65 billion yuan, a gain of 12.8 percent over a year ago. (Gross industrial output value stood at 12.08 billion yuan, up 13.9 percent.) Heavy industry, particularly metallurgy and the building materials industry, grew substantially. Nonstate industry expanded more rapidly than state industry. Enterprises enjoyed higher margins of profit. Among industrial products, the production to sales ratio climbed from 95.4 percent to 97.6 percent, the profit to funds ratio from 5 to 6.5 percent, and the working capital circulation rate from 1.3 to 1.4 times. The combined profitability index of industrial enterprises that practiced independent accounting hit 76.6 percent, 10 percentage points higher than 1992. Enterprises in the building industry found themselves in an improved position and completed an additional 850 million yuan worth of projects, or up 13.3 percent over last year. Potential was tapped in the transportation and posts and telecommunications industries. Railroads, highways, and airplanes carried 5.8

percent more cargo than in the preceding year, while the volume of business in the posts and telecommunications industry rose 53.4 percent.

2) Key Areas Report New Achievements; New Projects Completed

Fixed assets investment in all society totaled 5.16 billion yuan, up 35.5 percent, or 12.5 percent after adjusting for inflation. This includes the 3.37 billion yuan in local fixed assets investment, 131.2 percent of the target in the plan for the year, up 27.1 percent from a year ago, or 4.1 percent after adjusting for inflation. Of the total local fixed assets investment, capital construction investment by state units amounted to 2.59 billion yuan, and another 900 million yuan went to modernization and transformation. The overwhelming majority of key projects proceeded smoothly. Among national priority projects, all work on bridges, culverts, and tunnels relating to railroad construction has been completed. The double-tracking of the 62-kilometer Zhongwei-Gantang railroad was completed and the line has now been put into service. Among the region's own priority projects, the construction of the mine and rotary kiln in the second phase of the expansion of Ningxia cement plant was completed; they went into trial production last October. Work was essentially completed on the pumping station at the Yanhuanding project, trial operation has begun for some parts of the project, irrigating 21,400 mu for winter last year. These are some of the major projects completed last year: the transformation of the Yinchuan chemical fertilizer plant, the expansion of Ningxia coking factory, the Ningxia ferro-alloy plant, the resin plant at Qingtong gorge, steel cable workshop at the Shizuishan steel plant, Xiji vermicelli plant, Zhongwei modern building materials plant, Ningxia ferric oxide plant, the coal mine in Pingluo county, Guyuan granary, and centralized heating in county towns like Yanci and Pingluo, centralized supply of heat to Yanci, Pingluo, and other county towns, No 2 waterworks in the old city of Yinchuan, the expansion of the capacity of the telephone systems in Yinchuan, Taole, Pangyang, and Xiji, distance-programmed telephone projects in Shizuishan, Qingtong Gorge, Zhongwei, and Pingluo, and the highway from Rujigou mine to the opening of the ravine for the transportation of coal.

3) New Strides Made in Reform-Deepening; New Developments in Broadening the Policy of Opening to Outside World

Rural reform continued to deepen. The transformation of the operating mechanism of state enterprises became more thoroughgoing. Rapid progress was made in the reform of the property rights system. Multiple economies continued to take shape. The number of private enterprises and individual industrial and commercial households rose 50.4 percent and 19.8 percent, respectively, from a year ago. The entire economy became more market-oriented. The market for every commodity continued to expand. New progress was made in the development of the markets for capital goods like

finance, securities, and real estate. The implementation of Document 6 of the CPC Central Committee and the effort to tighten macroeconomic regulation and control have been remarkably successful; the once disorderly financial market has changed markedly for the better. Region-wide 427 million yuan in loans that were illegally or improperly made were recovered. The reserve fund rate of the various specialized banks increased from 3.4 percent in July to over 10 percent by year end.

The open policy continued to be broadened on all fronts across the board. Exports last year totalled \$111.24 million, approaching last year's level, including \$74.71 million worth of goods exported by the localities themselves, up 11.6 percent from the previous year. A total of \$36.66 million in foreign capital was utilized during the year, an increase of 260 percent from 1992, and 181 enterprises funded by the three kinds of foreign capital were approved in all of 1993.

4) New Achievements in All Social Undertakings; Improvements in People's Living Standards

There was a total of 257 scientific and technological [S&T] achievements above the provincial or ministerial level in all 1993 and 168 patents were granted. In rural areas, yield-increasing technologies including ton-grain technology, high-yield paddy farming technology, the transformation of low-yield land, and dry crop agriculture were introduced over large areas. Altogether 4.6 million mu were brought under cultivation using the new technologies. Eighteen new crop varieties were selected and submitted for approval. On the industrial front, a host of new technologies, new products, and new processes were developed. The vertical cement mechanical kiln, electromagnetic bridge crane, and ATC cam knife-shifting equipment, among others, were put into production with fairly good economic results. Institutions of higher education in the autonomous region admitted 3,378 students in 1993, up 24 percent from a year ago, and secondary specialized schools admitted 4,397, up 16.6 percent. At the elementary school level, 95.2 percent of school-age children were in school, up from 94.6 percent in 1992. The "231" project was further implemented. Region-wide, the number of illiterates dropped by 48,800 people, and the two counties of Pingluo and Zhongwei inspected and accepted the anti-illiteracy campaign organized by the autonomous region.

A variety of social undertakings continued to make progress.

Urban and rural household incomes continued to increase. The per capita income in urban areas was 1,907 yuan, up 304 yuan from a year ago or 3.3 percent after adjusting for inflation. Per capita net income among peasants was 667 yuan, up 48 yuan from last year, but actually unchanged from a year ago after adjusting for inflation. The market was booming, with social commodity retail sales for the year reaching 4.3 billion yuan, up 15.4 percent from last year. According to sample surveys, the natural population growth rate for the year

was 14.07 per thousand, down 0.068 per thousand from a year ago. The region's total population stood at 4,953,000 at year end, 37,000 fewer than projected.

Even as the region's economy chalked up new achievements last year, there were some outstanding problems and contradictions, primarily overly rapid price increases. The overall price index for the year was 12.8 percent, and the household living expenses price index jumped 14. percent, significantly higher than the target set at the beginning of the year. Funds and rail transportation continued to have considerable "bottleneck" effects on the economy. Times were tough for a number of state enterprises. The amount of losses was significant and the number of money-losing enterprises high.

2. 1994 Economic and Social Development Plan: Major Targets and Tasks

Nineteen ninety-four is a critical year for the completion of the Eighth Five-Year Plan. It is also crucial for the push to create a socialist market economy. Grasping the opportunity, deepening reform, expediting development, and maintaining stability...such is the keynote for region-wide work. The design and implementation of the 1994 regional economic and social development plan should adhere to this keynote and contribute to it. It must be guided by Comrade Deng Xiaoping's theory about building socialism with Chinese characteristics and be thoroughly true to the spirit of the 3d Plenum of the 14th CPC Central Committee and the 2d meeting of the 8th National People's Congress. The plan should further liberate our thinking, promote reform all round, expand the open policy, and strive to adjust the structure and raise profitability. It should take bold solid steps toward creating the basic framework for a socialist market economy, spur the steady, rapid, and healthy development of the national economy, and fuel social progress all round.

Based on these demands, the principal targets of the 1994 regional economic and social development plan are:

- Gross regional output should reach 11.4 billion yuan, up 9 percent over 1993 in constant prices. The primary industry is projected to grow 4 percent, the secondary industry 9 percent, and the tertiary industry 13 percent.
- Fixed assets investment in all society should be 4.77 billion yuan, up 9.4 percent in constant prices, including 1.38 billion yuan in capital construction investment by local state units, 750 million yuan in technological transformation, and 1.1 billion yuan in collective and individual investment.
- Local revenue should reach 602.49 million yuan, up 9.8 percent in constant prices, after the tax separation system is introduced.

- Exports should reach \$105 million, imports \$70 million. The amount of foreign capital utilized is estimated at \$35.5 million.
- Social commodity retail sales should grow 14 percent to reach 4.9 billion yuan.
- Overall retail prices should rise no more than 10 percent or so.
- Work hard to improve profitability. The energy conservation rate, the rate of sales of finished products, and the circulation of working capital must all go up. The ratio of unprofitable enterprises must be brought down 5 percentage points, while the amount of losses should be trimmed by 10 percent.
- The natural population growth rate should be contained below 14.4 per thousand. Total population at year end is projected to reach 5.02 million.

These are the major tasks of economic and social development for 1994:

1) Make Agriculture the Top Priority Steadfastly, Spur Rural Economic Development Across the Board

Grain output is projected to total 1.9 billion kilograms in 1994; oil-bearing crops, 70 million kilograms; beet, 600,000 tons; fruit, 130 million kilograms; meat, 83 million kilograms; and aquatic products, 150,000 tons. The gross output value of township and town enterprises will reach 3,664,000,000 yuan, up 20.3 percent. Peasants' net incomes will be 720 yuan per capita, 53 yuan more than the year before. We should concentrate on doing a good job in these areas: 1) Intensify the adjustment of the rural industrial structure. As far as grain crops are concerned, we should grow more beer-producing barley, legumes, corn, and buckwheat. As for cash crops, we should expand the planting of beet, hops, asparagus, chili, and man-made licorice root. In forestry, we should tackle the development of second-generation high standard farmland and forest belt in the Huangguan region and the comprehensive treatment of desertified areas. Moreover, we should continue to develop commercial orchards and commercial forests. Turning to the animal husbandry industry, efforts should be made to raise beef cattle, sheep that produce mutton and wool, and pigs that produce lean pork. 2) Build up a host of agricultural commodity production bases. Develop an agriculture that is high-yield, high-efficiency, and good-quality. In addition to creating various agricultural byproducts commodity bases already planned, we should build 16 high-yield, good-quality, and high-efficiency agricultural demonstration zones of all types across the entire region. 3) Step up the development of the agricultural infrastructure to enhance agriculture's lasting power. Continue to tackle the Huang He treatment project. Complete Phase I of the irrigation expansion project funded by the World Bank. Launch Project 4071 in the three counties including Guyuan which was funded by the World Food Program and designed to fight poverty and environment. The Huang He Daliushu

key water control project, long-hoped-for by the people in the region, has been included in the "National Program for Agricultural Development in the 1990's" adopted by the State Council. It has also made its way into the list of projects, the fourth batch so far, approved by the State Council that may be considered for receiving loans from the Overseas Economic Cooperation Fund of Japan. This year we should concentrate our energies on reviewing and approving the necessary documents, drawing up the migration plan, and repaving the roads on site. Also we need to continue to tackle with diligence preliminary work for the Liupanshan water diversification project, the Xingren water pumping project, the Shabotou key water control project, and the remaking of another irrigated area in the Hetao region. 4) Further accelerate the development of township and town enterprises. Push for the adoption of the shareholding cooperative system vigorously. Increase inputs in township and town enterprise through various channels and at all levels. Import technology and attract qualified personnel to come to Ningxia. Expand lateral economic and technical cooperation both within Ningxia and between the region and other places. Improve the overall quality of township and town enterprises. Step up planning and guide township and town enterprises to achieve the right degree of concentration. Fully utilize and transform existing small towns and build new ones. Strive for breakthroughs on all these fronts this year. 5) Do a good job in poverty relief and development. The autonomous region should concentrate on putting to good use funds like the "three xi" and "work in lieu of loans." Work hard to secure other anti-poverty development funds from the central government. Targeting the impoverished areas, we must win the war on poverty. Beginning this year, the regional planning commission will work together with a number of mountainous counties to design an anti-poverty strategic plan.

2) Keep Output in Industry and Transportation Growing at a Steady Pace While Raising Profitability.

These are the projected outputs for the major industrial products in 1994, taking into account market demand and production capacity: coal, 13 million tons; electricity generation, 9.1 billion kilowatt-hours; aluminum, 85,000 tons; ferro-alloy, 125,000 tons; cement, 1.4 million tons; chemical fertilizers (net amount), 330,000 tons; tires, 1.3 million sets, bearings, 1.9 million sets; machine tools, 2,280; machine-made paper and cardboard, 120,000 tons; sugar, 40,000 tons; and cigarettes, 53,000 crates. The profit to investment ratio of industrial enterprises is projected to rise to 7 percent, up from 6.5 percent a year ago. The turnover rate of working capital was 1.45 times, up from 1.4 times in the previous year. Overall labor productivity and the profit to costs ratio are also projected to continue to go up.

Stopping enterprises from losing money and increasing their profits must be tackled as a major task this year. Intensify the responsibility system to stem losses and increase profits. Turning losses into profits targets should be handed down from level to level all the way to

the grass roots and enterprises. There should be evaluation at fixed intervals. Rewards and penalties should be meted out at year end. Ningxia should concentrate on stemming the losses of enterprises run by the region whose losses exceed 2 million yuan each and making major enterprises whose profits top 5 million yuan each even more profitable. At the same time, give priority to energy conservation work in high-energy-consumption enterprises.

Further overhaul our thinking and liberalize our policies. Be supportive of nonstate enterprises when it comes to credit and transportation, etc.

To spur the adjustment of the industrial structure and boost the staying power of development, we must continue to tackle industrial capital construction projects and technological transformation projects now under way aggressively so that they pay economic dividends as soon as possible. In the energy industry, the focus is on building the Lingwu mine and completing the No. 1 well at Yangchang Wan. No time should be wasted in completing track-laying on the Dagou feeder railway. Begin construction on the power plant in the second phase of Daba power plant project. Continue construction on the Hexi headwork power station at Qingtong Gorge. Build the Sanying-Haiyuan and Yinchuan-Helan 110 kilovolt power transformation and transmission works. In raw materials industry, complete the expansion of the second phase of Ningxia cement works, the transformation of Qingtong Gorge cement plant, the heavy oil catalytic cracking transformation of Ningxia oil refinery, and the energy consumption project at the Shizuishan steel works. Tackle preliminary work on these projects: phase three of Qingtong Gorge aluminum plant, the natural gas pipeline, the transformation of Ningxia chemical industrial plant, and the transmission of electricity from Ningxia to other provinces. Turning to the processing industry, complete a host of technological transformation projects, including those at Xibei bearing plant, the Yinchuan electric wire plant, the Yinchuan dacron plant, and the Dahe machine tool plant. Complete the expansion of Zhongwei paper-making plant and 5233 plant. Begin construction on the deadweight meridian tire project at the Yinchuan rubber plant, the 500,000-set spherical roller bearing project at the Xibei bearing plant, the Ningxia fermentation plant, the Shizuishan sanitary porcelain works, the Yinchuan metallic magnesium plant, and the Ningxia pharmaceutical plant.

Turning to transportation and posts and telecommunications, continue to coordinate with the central government's plan to accelerate the transformation of Baozhong Railway and Baolan Railway and the construction of Jinghu Yinlan, Xilanwu Class I guanglan main lines. Complete the construction of the Yingu Highway and Yinchuan Huang He Bridge. Start construction on Yinchuan Hedong Airport. Begin the expansion of the handling capacity of the municipal telephone system of Yinchuan to 30,000 lines. Begin phases two

and three of the mobile communications project. Proceed with the program-controlled telephone projects in such cities and counties as Yongning and Helan.

3) Maintain Investment on a Sensible Scale; Further Accelerate Key Projects

Social fixed assets investment for the entire region is projected to reach 4.77 billion yuan (excluding Baozhong Railway and Changqing oil-field), up 9.4 percent from the preceding year. Specifically, investment by state units will total 3.67 billion yuan, up 10 percent, and investment by collectives and individuals, 1.1 billion yuan, up 7.3 percent. Of all investment by state units, 2.27 billion yuan (1.38 billion yuan from local governments and 890 million yuan from the central government) will go to capital construction; 1 billion yuan (750 million yuan from local governments and 250 million yuan from the center) will go to technological transformation, 285 million yuan will go to real estate development, and 150 million yuan will be invested in other projects.

Of all capital construction investment by local state units, local governments have tentatively allocated 60 million yuan in their budgets, lending by the various banks in the region will amount to 250 million yuan, the head office of the Construction Bank will make available 136 million yuan in special loans, and various central ministries and commissions will chip in with 87 million yuan. In addition, 180 million yuan will come from special funds like those of electricity, transportation, and posts and telecommunications; 5.4 million yuan from the energy and transportation fund; 29 million yuan from the special agricultural fund under the region's finance department; 14 million yuan from the "three xi" fund; 175 million yuan in funds raised by the sectors, municipalities, and counties themselves; 104 million yuan in foreign capital, 108 million yuan in funds raised through the issue of bonds, etc., and 40 million yuan in other funds.

Continue to make a success of the technological transformation of existing enterprises, particularly large and mid-sized state enterprises. Continue to implement the "doubling" plan in key enterprises. In technological transformation projects, limit the share of investment in local products and import more technology. Modernize equipment and develop new products.

Eleven projects have been designated as key national and autonomous regional construction projects for 1994. Among key national construction projects are the Lingwu mine and Baozhong Railway. Among key regional construction projects are the following: Yinchuan Hedong airport, Yanhuangding water-pumping project, phase two of Daba power plant, Yinchuan dairy products factory, Yingu Highway (including Yinchuan Huang He Bridge), Ningxia tourist hotel, the expansion of the handling capacity of the Yinchuan municipal telephone system, the transformation of Yinchuan rubber plant, and the expansion of Xibei bearing plant.

Eight projects have been designated as key preliminary work in the region: Daliushu key water conservancy project, Liupanshan river diversion project, Xingren water-pumping, phase three expansion of Qingtong gorge aluminum plant, expansion of Ningxia chemical industrial plant, Shaanxi-Gansu-Ningxia natural gas pipeline, Guyuan cement plant, and the Aerda imitation silk project, a Sino-Indonesian joint venture.

4) Grasp Opportunity To Further Open Up to Outside World

Fully capitalize on the existing favorable opportunity to increase exports and foreign exchange earnings. Even as Ningxia continues to do well with traditional staple exports, it must strive to develop new flagship exports. The export sector should be given preferential treatment when it comes to obtaining bank credits and securing rail transportation. Promptly give qualified enterprises the authority to handle foreign trade on their own. Make use of the region's coastal areas as window to the outside world. Go all out to open up and develop an international market. After a unitary system is introduced in foreign exchange, the autonomous region will no longer control or issue to lower levels a foreign exchange distribution plan. The state imposes quota management on 26 commodities and applies an automatic registration system to some commodities which are sensitive on the domestic market. As for other commodities, it will be up to the enterprises themselves to organize their importation.

Continue to utilize foreign loans extensively and effectively, using most of them to finance the transformation of large- and medium-sized state enterprises and the autonomous region's key construction projects. Our plan calls for the utilization of \$18.48 million in foreign loans in all 1994, including \$8.48 million in foreign loans taken out by the state and \$10 million international commercial loans. Tighten foreign debt management. Adhere to the rule that the borrower must also be the repayer and put an end to the present situation in which borrowing is often dissociated from repaying. Further improve the investment climate. Continue to attract direct foreign investment in a variety of ways. Direct foreign investment is estimated at \$17 million for 1994. In accordance with the industrial policies of the state and the region, we should steer even more foreign capital to foreign-exchange-earning industries, infrastructural projects, basic industries, other projects using advanced technology, and the technological transformation of existing enterprises. Actively spur the development of the "three kinds of enterprises either wholly or partially funded by foreign capital," making them more upscale and enabling them to operate at a higher level and on a larger scale. Increase the percentage of foreign capital that actually materializes.

5) Steer Economic Construction Onto the Path of Relying on S&T Progress In Earnest; Further Develop Education

The autonomous region is set to tackle 37 key S&T projects and 17 S&T dissemination projects in 1994. In agricultural S&T, the main focus should shift from exclusively pursuing quantity to pursuing both an increase in quantity and an improvement in product quality and to increasing the value of commodities. Accelerate the introduction of better varieties of cash crops and step up research on their farming technology. Intensify research into the processing technology of famous, high-quality, and unique agricultural byproducts. Put together a host of S&T demonstration projects. In the short haul, we should concentrate on research in mulberry cultivation and silkworm raising, man-made licorice, and tobacco cultivation. Actively promote technological advances in industrial enterprises. Strongly encourage them to set up research and development offices. Import and absorb applicable technology extensively. Accelerate the transformation of traditional industries using new technology. Continue to develop new integrated electronic products and research new materials technology. It is proposed that enterprises join forces with institutions of higher education and scientific research units to set up a variety of organizations of technology development.

Institutions of higher education and secondary specialized schools will admit 2,500 and 4,400 students, respectively, throughout the autonomous region in 1994. Increase the proportion of self-financed students as appropriate in accordance with a plan. Continue to diversify and increase the channels of educational funding. Compulsory education should primarily be funded by local governments. Encourage society to raise and pool funds for education in a variety of ways. Encourage private education. Make a success of "Project Hope," which aims to solicit educational donations for the mountainous areas in the south. Make vocational education and adult education more attuned to the demands of the market. Capitalize on the enthusiasm of all quarters in society for education. Continue with "Project 231."

6) Continue To Improve People's Lives and Develop Miscellaneous Social Undertakings

With the economy developing and social productivity rising, we should continue to improve the people's living standard. By developing the rural economy across the board and raising the prices of grain and beet by an appropriate margin, we must work hard to boost peasants' incomes substantially. As output expands and profitability rises, state enterprises should raise their workers' wages correspondingly. Take pains to implement wage reform in units and institutions carefully and meticulously. Be solicitous about the livelihood of retired personnel, workers in troubled enterprises, and peasants in impoverished areas. Vigorously push ahead with the commercialization of urban housing and expedite housing construction. Accelerate the reform of the social security system. Continue to improve facilities that play an intimate part in the daily lives of the people: urban water supply system, roads, liquefied gas supply,

etc. Actively develop cultural undertakings, publishing, radio and television broadcasting, public health, and sports. Increase investment in a variety of ways and through diversified channels to improve the infrastructure of social development. Continue to tackle family planning work successfully, focusing on rural areas and the floating population and going all out to keep the natural population increase rate below the target in the plan.

FINANCE, BANKING

New Tax System Promotes Petroleum Exploration

94CE0457B Beijing ZHONGGUO SHUIWU BAO

in Chinese 18 Apr 94 p 2

[Article by Gao Shixing (7559 0013 2502): "New Tax System Will Further Promote Development of China's Petroleum Resources"]

[Text] In 1979 China began to cooperate with foreign countries in the extraction of its petroleum resources, and for more than 10 years over 50 foreign petroleum companies have come to China to participate in the extraction of its petroleum resources. To meet China's need for foreign cooperation in the extraction of petroleum resources, China follows international practice by drawing on the experience of some of the world's petroleum-producing countries and by constantly perfecting and enriching China's tax policy for foreign cooperation in petroleum as well as its laws and regulations. China has initially formed a set of regulations for foreign cooperation in petroleum that contain clear measures, which play an important role in attracting foreign capital and promoting the prospecting and exploration of petroleum resources. In 1991 China completed the reform of its income tax system for enterprises in which foreign businessmen had invested and for foreign enterprises. At the end of 1993 China carried out the largest reform of its tax system since the founding of the PRC, with the focus on reforming the circulation tax and on reforming the income tax on domestic venture enterprises and individuals. For China's petroleum corporations and foreign petroleum corporations, the main point was the abolishing of the consolidated industry and commerce tax and the changes in the collection of the value added tax, business tax, and consumption tax.

To maintain the continuity and stability of the tax policy, so that it is more advantageous to attracting foreign capital and promoting the opening up to the outside world, the Fifth Session of the Eighth NPC Standing Committee passed the "Decision on Provisional Regulations for Value Added Tax, Consumption Tax, and Business Tax on Enterprises in Which Foreign Businessmen Have Invested and on Foreign Enterprises." On the basis of this decision the State Council issued a "Notice on Provisional Regulations for Value Added Tax, Consumption Tax, and Business Tax on Enterprises in Which Foreign Businessmen Have Invested and on Foreign Enterprises." In the decision

and notice, provisions were specially made for the tax issue with regard to Sino-foreign cooperation in the extraction of petroleum resources, the main parts being: "The collection in kind of the value added tax on petroleum and natural gas extracted from Sino-foreign cooperative oil (gas) fields is at a rate of 5 percent; and, in line with the existing stipulated collection of the mining area use fee, the value added tax will temporarily not be collected, and when the value added tax is being calculated there will be no deduction on the income tax. When crude oil or natural gas is exported, there will be no drawback. The oil (gas) fields at sea exploited by the China National Offshore Oil Corporation will be run in accordance with the abovementioned stipulations."

The stipulated tax preference is mainly embodied in:

1. The industry and commerce consolidated tax on crude oil and natural gas extracted in Sino-foreign cooperative oil (gas) fields has been changed to a value added tax, but the tax in kind will continue to be collected. A tax in kind on crude oil and natural gas is not exclusive to China, but rather is the current practice of the main petroleum-producing countries of the world. Mainly out of consideration that petroleum is a major source of energy, the governments of petroleum-producing countries should, through tax measures, control part of the petroleum reserves. Now, because of the output of Sino-foreign cooperative oil (gas) fields, the tax in kind on crude oil is entrusted to the cooperative oil (gas) fields for selling in a lump and putting in storage according to the actual sales value. The principle of collection of a tax in kind is understood and accepted by Chinese and foreign petroleum companies.

2. After the value added tax was put into effect, its rate on crude oil was 17 percent and its rate on natural gas was 13 percent. In order not to increase the tax burden on Chinese and foreign petroleum companies because of the tax system reform, the State Council notice decided that the value added tax on crude oil and natural gas extracted in the Sino-foreign cooperative oil (gas) fields and those at sea would be at a rate of 5 percent. This decision has three advantages for the Chinese and foreign petroleum companies:

One advantage is that it is consistent with the principle of China's circulation tax at the 5 percent level on petroleum resources extracted by foreign countries. This principle has been accepted by Chinese and foreign petroleum companies, and it has become an important provision in the petroleum contracts signed by the Chinese and foreign sides. The second advantage is that, under the new tax system, when crude oil and natural gas, on which there is a tax rate of 5 percent, is sold domestically, because objectively the funds held by the buying side are reduced (mainly the funds held by the buying side for income tax, the crude oil and natural gas of the Sino-foreign cooperative oil (gas) fields and those at sea possess a superiority in the price aspect. The third advantage is that, because likewise there is no drawback

on the export of crude oil, the crude oil of the Sino-foreign cooperative oil (gas) fields and those at sea only bear 5 percent of the circulation tax, and before the crude oil is exported it bears 17 percent of the domestic circulation tax, the Chinese and foreign petroleum companies possess competitive strength in the export of crude oil.

3. Still according to the existing stipulated collection of the mining area use fee, the natural resources tax will temporarily not be levied. The levying of a mining area use fee conforms to international practice, and it is accepted by Chinese and foreign petroleum companies. China's collection of the mining area use fee is at an above-quota graduated fee rate; at-sea oil (gas) fields in which the annual crude oil total output does not exceed 1 million tons and the annual natural gas total output does not exceed 2 billion are exempt from the mining area use fee. The main purpose of this exemption is to encourage the development of small oil (gas) fields at sea and to formulate special policies for them. Similarly, for a medium-sized oilfield at sea that has an annual output of 1 million tons, if the mining area use fee is levied but temporarily the natural resources tax is not levied, then it possesses the advantage that the Chinese and foreign petroleum companies at this field will get every year a small sum of money to help pay the 8 million-yuan tax.

Summarizing what has been said above, because in the past a preferential tax policy was given to Chinese and foreign petroleum companies, including the continued retention of import-export and other preferential policies, the Chinese and foreign petroleum companies will not, because of this reform of the tax system, have their tax burden increased; conversely, because the tax system reform makes China's tax system more rational, the fact that the level of collection management is constantly rising and the tax preferences are becoming more marked is bound to further promote the opening of China's sea and land petroleum resources.

State Bank Commercialization Problems, Solutions

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3 May 94 p 5

[Article by Zhao Haikuan (6392 3189 1401): "Transforming State Banks Into Commercial Banks"]

[Text] True to the spirit of the 3d Plenum of the 14th CPC National Congress, the goal of future financial reform in China is to establish a financial system that can operate smoothly in a socialist market economy. In such a financial system, every financial institution is internally driven to succeed, to reform, and to forge ahead. Externally, financial institutions are under enormous competitive pressure from other institutions to go forward. There is also a macroeconomic regulatory and control mechanism that both serves as an effective restraint and spurs microeconomic activities.

To achieve the above-stated goal as soon as possible, we must decide carefully what to do in hopes of making a breakthrough. The 3d Plenum of the 14th CPC Central Committee has done just that for us and it is to further regularize the functions and systems of the central bank, establish a policy-oriented bank, and gradually transform existing large state banks into commercial banks after turning over the policy-based business to the policy-oriented bank. The core issue here is the commercialization of large state banks. It is a major part of the deepening of financial reform in China in the days ahead.

What Are Commercial Banks?

A commercial bank is a financial enterprise that buys and sells the right to use funds like a commodity, pursues profit as its principal objective, exercises decision-making authority in its operations, is accountable for its profits and losses, assumes risk on its own, and has a self-discipline mechanism.

It is the thrust of reform to turn all financial institutions in China into commercial financial institutions as defined above, with the exception of the central bank and policy-oriented banks. As a matter of fact, so far large and small shareholding banks, urban and rural credit societies, and small and medium-sized state banks such as Zhongxin Industrial Bank and Guangdai Bank have basically become this kind of financial institutions. Even large state banks have begun the transition to commercialization and are expected to complete the process in the next few years. Meanwhile, the commercial financial institutions mentioned above will evolve into typical or representative commercial financial institutions. New urban and rural cooperative banks and other financial institutions will be set up. Foreign-funded financial institutions are also slated for a period of rapid growth. By then China's financial system will basically have everything a modern banking system ought to have.

Compared to the existing large state banks, the typical commercial bank has the following features:

1) Buys and sells financial services and the right to use credit funds like a commodity.

In the past the government treated large state banks as the implementors of policies and managers of the economy. How much money the banks should lend and to whom were both decided by the government. After these banks became commercial banks, both the financial services they can provide and the right to use funds became commodities. Will a bank provide services and lend money to a particular enterprise? How much? Questions like these will now be answered by the bank and the enterprise themselves through discussion. When the business of making policy-mandated loans is turned over to the policy-oriented bank, commercial banks will be absolved of the responsibility of supplying enterprises with working capital. No longer will they be held accountable for the difficulties faced by mismanaged and

unprofitable enterprises whose products do not sell well after their application for a loan is turned down. In most cases the government also will stop directly ordering a commercial bank to extend credit to a certain enterprise. It would no longer be proper for the government to continue using simple administrative tools to control their business activities. Instead it should adopt policies to create an environment conducive to banks doing business based on their own self-interests.

2) Profit enhancement as one of the principal operational objectives

All enterprises must make a profit. In a socialist market economy, the enterprise which does not make a profit cannot survive for long. As a financial enterprise, a commercial bank must have a well-defined profit objective and must organize and mobilize all its employees to work hard to achieve that objective. The profit motive is the engine that drives all its operations. Whether or not an enterprise truly regards the numerical profit objective as its primary operational goal essentially distinguishes a state commercial bank from its predecessor, a large state bank.

Will a commercial bank do any less social good if it looks upon profit or economic return as its principal operational goal? The answer is that not only will it not do less social good, but it may on the contrary generate more social benefits. A bank realizes its social good through its business activities. The purpose of allowing a bank to assess its own bottom line is precisely to enable it to put its business on a sounder footing. When a commercial bank becomes more successful in its business, when idle funds in society are put to full use, when the bank is able to lend more loans with the projected economic return and provide more financial services for the economy, then the economic benefits to society and hence to the entire nation will automatically be even greater.

When large state banks go commercial, they become state commercial banks. As state commercial banks, they should no doubt comply with national laws and policies in an exemplary manner, particularly those in the field of finance. They must look at the bottom line without, however, being preoccupied with profit-making exclusively. The problem now is that the profit motive of these banks is not strong enough. We need to further liberate our thinking and take measures to intensify it.

3) Linking workers' earnings to the bank's financial performance

After a large state bank is transformed into a commercial bank, its employees' earnings should be linked to its performance. If the bank is well-managed and its profit goes up, so should the incomes of its employees correspondingly. If the bank is mismanaged and its profit drops, perhaps even replaced by a loss, the earnings of its workers should likewise decrease. This is an important way to fully energize a commercial bank, a measure essential to making the bank internally driven and externally pressured and turning it into a truly modern

financial enterprise. However, how a bank's bottom line is linked to workers' incomes is something that needs to be examined carefully. In the future, after the banks' profit becomes average profit, we should take a leaf from the book of the typical large enterprise and work out a commercial bank wage and incentive system closely linked to a bank's margin of profit. That way the earnings of a bank's employees will be even more in line with its profitability.

4) Adopting a new internal management system

Large state banks and commercial banks are two different kinds of banks with different operating mechanisms. Naturally their management systems are also different. After a large state bank is transformed into a commercial bank, the first order of business is to craft a management system that meets the needs of a commercial bank. Such a system should include an operations management system, a financial management, and a personnel management system, etc. A personnel management system, for instance, should comprise a strict employee performance evaluation system complete with rewards and penalties in order to put a total end to the phenomenon of good workers and bad workers being treated in the same way. The bank president should be granted the power to hire and fire employees. The "iron rice bowl" should be smashed in the course of time.

Business Operations Of Commercial Banks

The operations of a commercial bank can be summed up in a traditional way as "deposit, lend, and remit." Deposit means accepting deposits, lend means making loans, and remitting means sending remittances, or, as they put it loosely, "account transfer and settlement."

Deposits. Under state regulations, a commercial bank derives its funds from the capital invested by its owner. It is also entitled to take a predetermined percentage of the funds in its account transfer and settlement line of business in accordance with the principle of "accept payment first, make payment later." Yet another source of funds is deposits. While there is a numerical ceiling to the first two sources of funds, deposits have enormous potential for growth. As long as a bank is making all the right moves and works hard, deposits can keep growing strongly. Thus deposits often represent the principal source of funds for a commercial bank. Take Zhongxin Industrial Bank, for instance. In 1992 its liabilities and net assets amounted to 33,587,740,000 yuan, including 19,858,550,000 yuan, or 59.1 percent, in deposits.

How much money a commercial bank lends and hence the overall scale of its operations is determined by the sources of its funds. For this reason a commercial bank typically takes deposits most seriously. Commercial banks offer the same kinds of deposits plans and methods that large state banks have offered for years. As competition heats up, however, they will come up with an endless range of innovative practices and programs

and keep improving their services. Interest rates too will become more flexible and elastic within the limits set by the state.

If they meet the requirements, commercial banks can also raise funds by issuing bonds. Issuing bonds in essence resembles taking deposits, which is why it is mentioned as part deposits here.

Making loans. Lending is the principal way in which a commercial bank puts funds to use and the primary source of its profits. Let us again look at the situation in Zhongxin Industrial Bank in late 1992. Its credit balance stood at 19,395,380,000 yuan, 57.8 percent of the total amount of funds applied. Since commercial banks assume risk themselves and are accountable for their own profits and losses, they normally select whom they lend money to most stringently, limiting their borrowers to those enterprises whose products are popular and relatively profitable and which are well managed. Pre-lending investigations and post-lending supervision are also major priorities for a commercial bank. Among the various kinds of loans, the proportion of unsecured loans has been dropping while that of secured loans and discounting of bills has gone up. Each and every single loan comes with a specified time limit; it must be paid off by the due date.

The amount of lending by a commercial bank is no longer determined by the national credit plan or other administrative tools. However, the bank must practice assets to liabilities ratio management and submit to the restraint of fund sources so as to ensure that it is fully able to pay its depositors. In other words, whatever the circumstances, whenever a depositor demands to withdraw a sum of money, the bank must have the money on hand to make such a payment.

Commercial banks are required to purchase a set amount of treasury bonds, but whether they should be allowed to buy enterprise bonds and shares has yet to be considered. Countries like the United States do not permit commercial banks to purchase shares and bonds as a form of investment, while just the opposite is true in Germany and Switzerland. Most people in China are opposed to commercial banks purchasing enterprise bonds and shares. Under the "Decision of the State Council Concerning Financial Reform," "state commercial banks shall not invest in non-financial enterprises." In my opinion, commercial banks as a rule should not be allowed to purchase enterprise bonds and shares for fear of over-extending the use of funds and causing a credit crisis and to prevent the stock market and bond market from undermining bank credit. However, in the course of converting state enterprises into modern enterprises, we should allow a portion of the old bad debts to be converted into shares to be held by the loan-originating bank.

Account transfer and settlement. This is what a commercial bank does when loans are paid off, labor fees paid, and other sums transferred in society. Since account

settlement and transfer involves various banks, uniform methods of settlement must be established by the central bank. By going into the account transfer and settlement business, a bank can collect a service charge or take a cut of the sum settled, on the one hand, and attract customers to open an account with it, thus boosting its deposits, on the other. (Before a bank would do transfer and settlement for you, you must deposit a sum of money there.) For this reason, account transfer and settlement is a fiercely competitive part of a bank's business. Competition helps shorten the settlement process, improve customer services, and accelerate economic development.

The central bank must do a good job in public inter-bank lending and note settlement. Commercial banks should be authorized to handle inter-bank account settlement within their own system on their own. Nevertheless, account settlement between different banking systems and between the branches of banks that are either unwilling or unable to set up a banking system should go through the public banking group organized by the central bank. Note settlement too should be processed by the central bank or by a bank designated by the central bank.

Account transfer and settlement by a commercial bank will be more service-oriented and freer from administrative supervision compared with similar services offered by the large state bank of the past. The bank can only do what the two parties—the payer and the payee—agree upon. The payer and the payee, on the other hand, will each play a stronger role in disciplining itself and monitoring the other party. Say an enterprise asks a bank to collect a sum of money. If the other enterprise refuses to pay, all the bank can do is to return the commission. It will then be up to the two enterprises to arrive at an agreement through discussion.

Banks should be allowed to overlap one another's scope of business. That way enterprises can choose banks and vice versa, thus achieving genuine competition in the field of banking. When that comes to pass, enterprises which make popular marketable products and are well managed and profitable can borrow on favorable terms, enabling them to develop even faster. In contrast, enterprises whose products fail to move on the market and which are poorly managed and are barely profitable or even downright unprofitable are either denied credit or forced to borrow on harsher terms. This will prompt them to move quickly to turn themselves around.

Difficulties in Bank Commercialization

Although the course of changing large state banks into commercial banks is now set, a number of sticking points remain. It will be some time before the conversion process is fully complete. Among the major problems are:

- 1) It is difficult to find a substitute for banks as the sole source of enterprise working capital any time soon.

For years state enterprises relied solely on bank loans as the source of their working capital. Bank loans account for 80 percent of the working capital of all state enterprises in the nation. At the moment one-third of state enterprises are losing money openly while another one-third are doing so under the surface. They are bad credit risks. If commercial banks decide whether or not to extend credit strictly in accordance with the principles of commercial banking, a large proportion of enterprises will not qualify and should be denied new loans, even told to pay off old loans. But if that really happens, these enterprises will have to go out of business. This is not just an economic issue, but also a major political issue. Nobody says this is what banks should do and it is not something the banks themselves dare to do.

2) We have yet to figure out what to do about the bad debt inherited from the past.

Of the current loans of the several leading state banks, not a few are essentially uncollectible. They include bad debt the material base for which is no longer existent; they are still on the books only because the accounts have not been audited and losses reported. Others represent the minimum amount of funds necessary for the survival of an enterprise. The money should have come from the enterprise's capital, but since the capital was not there, bank loans were resorted to as a substitute. As long as the enterprise continues to exist, there is simply no way the money involved can be freed up. That is to say, there is little hope the loan will be repaid.

How much do these essentially unrepayable loans amount to? There is no precise number, but some people have estimated them at 40 percent of the value of all loans at least. They constitute a burden on the banks as well as the enterprises. The debtor state enterprises not only have the obligation of paying off the loans, but they are also required to pay interest. Saddled with such a burden, how can they enter the market and compete with private enterprises, individual enterprises, and foreign-funded enterprises that are practically debt-free? For large state banks, being stuck with so many uncollectible loans, including some which are about to be written off, naturally also constitutes a burden. As long as this problem remains unsolved, large state banks will be unable to enter the market unburdened, ready to compete with other financial institutions on a level playing field.

Measures to Spur Bank Commercialization

The transformation of large state banks into commercial banks is a pivotal measure in China's drive to deepen financial reform. Since the course is set, we should embark on the process steadily and firmly.

1) Unify ideological understanding

True to the spirit of the "Decision," it is now our set policy to deepen reform, energize banking, and establish a new financial system suited to the needs of a socialist market economy. However, as long as large state banks

are not converted into commercial banks with despatch and their operating mechanism overhauled thoroughly, the banking industry will remain dormant and a new financial system will have a hard time coming into existence. Should large state banks continue to operate by the old mechanism, they will suffer setbacks and perhaps even a gradual decline in their competition with other financial institutions, losing their original commanding place in the banking industry. This is a crucial issue with implications for the continued leadership of state financial institutions in the entire banking industry. Thus it is not a question of whether large state banks are willing to go commercial. Rather they must do so as soon as possible. The last thing the central bank and all large state banks should do is to hesitate and waver. Instead they must be determined to take effective measures to effect this transformation over time.

2) Work hard to expedite the materialization of a modern enterprise system.

Banking is a comprehensive sector whose every activity is closely related to the enterprise. Banking reform must proceed in tandem with enterprise reform, a point thoroughly demonstrated by the two difficulties described above. Clearly, if we fail to set up a modern enterprise system and continue the operating mechanism of the product economy, the numerous money-losing enterprises will not be able to turn themselves around. Nor can we let them go bankrupt simply because there are so many of them. The only thing they can do is to survive on bank loans. Under the circumstances, it will be impossible to cut back on new loans, not to mention collect old ones. How then can we even begin to talk about transforming state banks into commercial banks? On the other hand, we cannot just sit here and wait for the materialization of a modern enterprise system before moving to commercialize large state banks. Whenever possible, we should start taking small steps in such areas as credit and account settlement to build up a momentum for creating a modern enterprise system. When the latter process picks up steam, in turn driving the transformation of banks, we can then quicken the pace of bank transformation.

3) Accelerate the creation of an operating mechanism for commercial banks.

Waste no time in ending from bottom to top some of the institutions and practices formed in the era of the product economy and gradually develop a new set of systems such as a personnel management system, a fund or business system, and a financial system, suited to the operations of commercial banks. Creating these systems is tantamount to deepening financial reform. We must liberate our thinking and have the courage to emulate some of the practices of banks in the West. Actually that is what we have been doing and the results have been quite satisfactory. We should go further on that front in the future.

4) Take feasible measures to solve the problem of bad debt.

Considering every practical circumstance, we may take the following actions to wrestle with the banks' bad debt problem.

a) If the debtor enterprise has decided to turn itself into a shareholding state enterprise, the debt may be reconstituted as the bank's investment in the enterprise, in effect turning the IOU into shares. The bank will then cease to be a creditor. Instead it becomes a shareholder and takes part in managing and supervising the enterprise.

b) Some enterprises do not meet the requirements for the transformation into shareholding enterprises for the moment but may do so in the future. In this case, we may convert the loan into transferable bonds, that is, turning it into enterprise bonds first and, later, shares when the enterprise adopts the shareholding system.

c) There are some enterprises which cannot be converted into shareholding enterprises. In this case, the loan in question may be converted into low-interest long-term enterprise bonds that may be paid off in stages. Each year the enterprise is required to set aside a portion of its retained profit to pay off a part of the loan. Other methods may also be used to raise funds to repay the loan.

d) In case the debtor is no longer around or nobody can be found who can be held responsible for repaying the loan, it should be reported in its full value and written off outright. That way enterprises would be free to enter the market unburdened. Large state banks too can be converted into commercial banks sooner.

New Tax System's Impact on Local Economy

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in Chinese 16 Apr 94 p 3

[Article by Lu Licheng (7120 4539 2052): "Effects of New Tax System"]

[Text] On 1 January this year, China formally put into effect a new tax system. What are the new tax system's effects on local financial income and local economic development? This question has become a "hot point" of concern in all quarters of society. Now, with Baoying City, Jiangsu Province, as an example, I will make a brief analysis of this question.

Effects of New Tax System on Local Financial Income

Under the old tax system, the proportionate division of this county's income from industrial and commercial tax revenue was: above-line 35 percent; retained 65 percent. After the new tax system was put into effect, this county's local financial income was mainly composed of two large parts: one part was that of the 25 percent consisting of fixed income and value added tax; the other part was that of the total amount of the consumption tax

and 75 percent of the value added tax, 45 percent of which was retained. Accordingly, the data for the first two months of this year are calculated as follows:

1. Separate above-line figure = (227,000 yuan in consumption tax + 8.46 million yuan in value added tax x 75%) x 55% = 3.615 million yuan.

2. County-level above-line figure = 3.615 million yuan in separate above-plan figure + 2.281 million in province-level income + central-level income (other) = 5.896 million yuan.

3. Separate retained-for-use figure = (227,000 yuan in consumption tax + 8.46 million yuan in value added tax) x 45% + 8.46 million yuan in consumption tax x 25% = 5.072 million yuan.

4. County-level retained-for-use figure = 5.072 million yuan in separate retained-for-use figure + 2.261 million yuan in local fixed income = 7.333 million yuan.

5. Separate proportions:

a) Above-plan proportion = 3.615 million yuan in separate above-plan figure ÷ 10.948 million yuan in local income x 100% = 33.02%.

b) Retained-for-use proportion = 66.98%.

From a look at the resultant calculations, we see that, after the new tax system was put into effect, the above-plan proportion fell by about 2 percentage points. In line with the actual results in 1993 and calculating the proportional income, in 1994 the tax revenue income will be about 96.52 million yuan, and subtracting the provincial-level income of 3.2 million yuan, the central- and country-level income will be 93.32 million yuan. According to calculations under the new tax system, the country-level retained-for-use figure will be about 62.52 million yuan; under the old tax system, which calculated separate financial proportions, the county-level retained-for-use figure would have been about 60.56 million yuan. Thus, under the new tax system, this county's retained-for-use financial strength is slightly greater than the retained-for-use financial strength under the old tax system.

Effects of New Tax System on Local Economy

1. Positive effects:

The new tax system makes uniform the income tax for domestic venture enterprises and the circulation tax for domestic and foreign venture enterprises; it also, in the "Provisional Regulations for Value Added Tax," stipulates that there are only three grades of rates—zero tax rate, 13 percent low tax rate, and 17 percent regular tax rate—in order to provide a tax revenue environment conducive to competition on an equal basis. The tax burden under the former tax system on some high tax-rate products has been reduced by a fairly large amount, e.g., on rubber products, paint, miscellaneous goods, and other chemical industry products, and on

electric wire, electric cable, woolen products, glass products, and electric power products. For example, in this county the electric cable factory's value added tax, under the old system, was a levy of 21 percent and a discount of 14 percent, but the actual tax burden was about 10 percent of the tax-included value; under the new tax system, the levy is 17 percent and the discount is 17 percent, and so the actual tax burden is 5.5 percent of the tax-included value. Under the old tax system, the product tax rate paid by the county's miscellaneous goods factory was 16 percent of the tax-included value; the new tax system changed to a value added tax rate with a levy of 17 percent and a discount of 17 percent, making the actual tax burden approximately equal to 5 percent of the tax-included value. The product tax rate for the county's electric power bureau under the old tax system was 10 percent; under the new tax system, there was a change to a value added tax with a rate equal to only about 3 percent of the tax-included value.

The tax burden on commercial retail enterprises has also been lightened. The new tax system changes the business tax of 5 percent of retail value to a value added tax with a levy of 17 percent and a discount of 17 percent in line with the non-tax-included value, and after making calculations we find that the actual tax burden is only equal to about 3 percent of the tax-included value.

2. Equal effects:

With regard to foreign-funded enterprises that were set up before 1993, and the increased tax burden after the new tax system was put into effect, the method of "first levying taxes and afterward withdrawing" was adopted in order not to increase the tax burden on foreign-funded, to obtain credit from foreign businessmen, and to maintain the continuity of the policy of opening up to the outside world.

After the new tax system was put in effect, there was a fairly big increase in the tax burden on some enterprises: e.g., cement, brick, and waste product purchasing and processing enterprises; grain enterprises; nonstaple food enterprises; and chemical fertilizer, agricultural chemical, and agricultural capital goods enterprises. The State Council and all levels are studying the formulation of specific policies and measures, and, following the thorough implementation of these policies and measures, the problems facing these enterprises can basically be solved.

3. Negative effects:

Newly run township and town enterprises, and enterprises like cooperative stores and restaurants, which formerly enjoyed tax reduction or exemption, will, without exception, have their tax reduction or exemption eliminated after the new tax system is implemented. If these enterprises do not develop new products, adjust their product mix, enhance their management, stress returns, and seek development, they will certainly be hard hit.

For production enterprises that use agricultural and sideline products as their raw materials, e.g., those in the cotton spinning, silk reeling, and papermaking industries, the new tax system stipulates that their income tax be calculated at 10 percent, and for enterprises in other industries, by comparison, the income tax be calculated at 17 percent, a tax burden that is clearly on the high side.

For commercial wholesale enterprises, under the former tax system, there was a 10 percent tax on the import sales price differential, but under the new tax system the tax is 17 percent of the non-tax-included value with a 17 percent discount; the actual tax burden is equal to about 13.8 percent of the tax calculated under the former tax system, so the tax burden is increased 3.8 percentage points.

Compared to the tax burden on the ordinary taxpayer, the tax burden on the small-scale taxpayer is a little heavy, and the use of the "value-added tax special-use voucher" is not allowed. Thus the production and business activities of these enterprises is bound to be adversely affected.

INDUSTRY

Machine Industry Development Issues

94CE0523A Beijing GUANLI SHIJIE [MANAGEMENT WORLD] in Chinese No 2, 24 Mar 94 pp 128-129

[Article by Feng Youlu (7458 2589 4389), Ministry of Machine-Building Industry: "Issues on China's Machine-Building Industry Development in 1994"]

[Text] The total output value of China's machine-building industry was 269 billion yuan in 1993 including 20.5 billion yuan worth of products produced under mandatory plans and 15.9 billion yuan worth of products produced under guidance plans. The output values of the two accounted for 13.1 percent of the total output value. It means that 86.9 percent of the products have been produced by enterprises in accordance with the market situation. The machine-building industry will continue to develop itself towards this direction in 1994.

China will register another high rate of growth in its national economy in 1994. The GNP is expected to rise by 9 percent. There will be more investments in fixed assets under the state plan; and more loopholes will be plugged so that more funds will be available for major construction projects as compared with 1993. With the improvement of the people's living standards, more machinery will be needed in general. The world machinery market is also quite vast. Therefore, we reasonably believe that there will be a higher rate of growth in the machine-building industry in 1994. Naturally demands vary for different types of machinery. We must pay attention to the major developments in our national economy and the international market, and

continuously readjust our product mix in order to make our products more competitive and export-oriented. As long as we go with the tide of the situation, we will be able to triumph.

Whether or not our machine-building industry will score even greater achievements in 1994 lies in how we deepen our reform and carry out our production and business activities in accordance with the market economic system.

1. Work Hard To Strengthen Market Investigation and Survey, and Business Policy-Making.

Enterprises must pay full attention to the markets. They must fully understand the actual requirements of the international market as well as the domestic market. They must also study the potential requirements, and gather all kinds of information. They must fully understand consumer needs, market capacity and the current situation in promoting scientific research and development. They must know their competitors' product features, means of production, production costs, prices as well as their supporting factories' properties of products, production capacity, delivery schedule. The enterprise must also take advantage of their own advantages. They should know their competitors and themselves. Only then, will it be possible for them to win victories. Although work in this respect has been strengthened since machine-building industry has changed its trend from one of product economy to one of commodity economy, it is far not enough. We must mobilize workers in all sectors, and carry out the work of investigation and analysis from all angles. Enterprises must periodically hold meetings for business policy-making; solicit all kinds of proposals; carefully analyze them and form policy decisions; and send them back to various departments to have them implemented. If the enterprises keep on making policy decisions in such a way, they will definitely be able to play up their strengths and avoid weaknesses, become more competitive and certainly win victories.

2. Work Harder to Strengthen Scientific Research Work

The machine-building industry not only supplies facilities for the development of the four modernization programs, but also provides machinery to help people improve their living standards. With the rapid development of science and technology, we must fully realize that machinery reflects modern science and technology. It is for this reason that we must work hard to strengthen scientific research work. Whoever produces fine and durable machinery will win consumers' confidence. Modern science and technology demand that we train a group of professionals of multiple disciplines. The *Art of War* by Sun Zi mentioned: "There are only five colors, but it is hard to perceive the changes of the five colors. There are only five flavors, but it is hard to fathom the changes of the five flavors." It means that there are only the red, yellow, blue, white and black colors, but it is

hard to estimate the number of changes in mixing all the colors. There are only five flavors—sweet, sour, bitter, pungent and salty—, but it is difficult to fathom the changes when all flavors are mixed in cooking. We might as well regard the modern machinery as a combination of devices using technologies in machine-building, electricity, hydraulics, gas and light. The changes are unlimited. As long as we combine them in different way and in a flexible manner, our opportunities know no bounds as pointed out by the *Art of War* by Sun Zi.

We must mainly rely on ourselves to improve our products. Enterprises must strengthen their forces in conducting scientific research and development. Meanwhile, they must also solicit outside help by importing foreign technologies and cooperating with scientific research organizations and colleges and institutions of higher learning.

3. Work Harder to Readjust Enterprises' Product Mix

Only when products are readily marketable, can enterprises that manufacture such products flourish. Enterprises must follow the market when they turn out their products. However, the supply and demand on a market are constantly changing. Actually all machinery products will go through the stage of development, stage of growth, stage of maturity and stage of obsolescence. The current situation is that such cyclic changes are becoming faster and faster. Therefore, enterprises must constantly adjust their product mix. Those enterprises which manufacture a single product must start working on the next generation when their product of the previous generation has entered the stage of maturity and the sale of such product is still good so that the new product will be able to replace the old when the time comes. Enterprises that manufacture many varieties of products must upgrade their products on a rotation basis. Thus, their production and management should be developed in a balanced manner. Efforts must be made to prevent any adjustment of the product mix from adversely affecting the operation of the enterprises.

The adjustment of the product mix may also create a series of problems to production engineering. Right now, foreign machine-building factories often make full use of numerical control machine tools and institute the soft manufacturing system. This is aimed at increasing the capability of the enterprises in coping with changes. Although the initial investment will be greater, it can shorten the period and reduce the cost in adjusting the product mix. Basically speaking, it is worthwhile to do so. (h3)

4. Work harder to Push Sales

If it is said that to strengthen market surveys, make correct policy decisions and develop products that are readily marketable is a process of cognition and practice from the market to the product, then how to make consumers know the product and help such product become more marketable is also an important process which is definitely not less important than the first one.

We often talk about helping the product "work its way" into the market. This phrase "work its way" means that we must strengthen our efforts in pushing the sales of the product. A good salesperson must carefully brief the customer about the performance, quality, delivery schedule, price, after-service and other good points of his own product, and make the customer feel at ease and pleased to buy such product. A salesperson with good business ethics must never try to defame other people's products. He should know how to give prominence to his own products.

As far as each enterprise is concerned, to push the sales of products is not merely selling the merchandise alone. The enterprise must introduce to the customer the capability of the factory in developing and manufacturing the products. It should supply the appropriate machinery equipment in accordance with the customer's requirements.

In order to adapt ourselves to market mechanism and sell more machinery products, we must pay attention to public bidding and carry out our work well in submitting tenders. To succeed in public bidding, we must, first of all, satisfy the needs of the consumer, be more competitive among the fellow bidders, and make money for one's own enterprise. In order to make correct and timely responses, the enterprises must compile all kinds of reference material and build various types of data bases.

Enterprises must strive to build and cherish their own reputation. They should realize that only with a good reputation, can their products enjoy a greater share of the market.

5. Work Harder To Strengthen Enterprise Management In Order to Become More Competitive

It is necessary to become more competitive in terms of performance, quality, delivery date, price and services. All of them are based upon an enterprise's scientific management in quality and cost control and its energy and material-saving measures and its production technology. All these are important aspects. The Ministry of Machine-Building Industry must regularly call for efforts to strengthen enterprise management and raise their standards. All this is aimed at making themselves more competitive. What merits attention is the fact that some time ago when the sales of machinery products were picking up, some enterprises once again attached importance to speed and price only instead of management efficiency. It is necessary to rectify this situation.

6. Work Harder To Strengthen Motivational Mechanism

Heaven makes the final decision as to how things shall end up. How to fully arouse man's enthusiasm is an extremely important issue. The leadership of the various enterprises must adopt measures to help workers strengthen unity and become more creative and encourage them to make suggestions and work harder than ever before for the enterprises. Efforts must be

made to improve personnel management, the wage system and the incentive mechanism, and to encourage the professionally qualified people to work harder and offer more to the enterprises

FOREIGN TRADE, INVESTMENT

Socialist Market Economy Promotes Population Planning

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[Article by Qie (STC not available) Jianwei (1696 0251) of the National Economy Office, State Planning Commission: "Socialist Market Economy Seen As Boost to Population Planning"]

[Excerpts]

1. Population planning as a method of managing human reproduction. [passages omitted]

In setting population control goals, drawing up a population plan, transmitting it to lower levels for implementation, and supervising and inspecting its implementation, we must take into full consideration China's level of economic development and public thinking on reproduction, which is what all of this must be based on. Remove this base and go beyond the threshold defined by our level of economic development, and we would achieve nothing. Drawing up a population plan divorced from reality, setting overly ambitious population growth targets, and trying to reach those targets through command planning are bound to be counterproductive in the end. There may be some short-term success, but it is certain that it will neither last nor be consolidated. On the contrary, we may well end up with a compensatory population growth after a certain period of time.

The principal inconsistency in population control in China today is essentially one between population control and the level of economic development, between relatively advanced population control methods and a more backward level of economic development. Fundamentally speaking, the difficulty China has to date in adjusting human reproduction stems from the backwardness of economic development and the low level of productive forces, from the fact that we are trying to establish a relatively advanced pattern of fertility on the basis of a backward economy. What is in existence now, it must be said, is only the rudiments of the condition needed for adjusting the pattern of human reproduction and population control. Thus, our population planning, adjustment and control must similarly be preliminary. Population planning can only be broad and flexible guidance planning. It is unrealistic to think that we can now achieve overly ambitious population control objectives through mandatory population planning.

Birth control work in China was born under the planning system and inevitably therefore exhibits many of the latter's characteristics. In its formulation, transmission to lower level, implementation, and inspection, as well as in its format, targets, and content, population planning in fact has borrowed extensively from material reproduction planning. In particular, like command planning, population planning sets mandatory targets that must not be exceeded. Objectively speaking, for a variety of reasons we were nowhere near managing the process of material reproduction completely in accordance with a command plan even during the era of economic planning. Moreover, history has demonstrated that orchestrating material economic construction beyond the level of economic development in any specific stage through command planning militates against mobilizing the initiative of all quarters, fostering the development of multiple economies, raising the level of productive forces, and improving the people's living standards. If anything, the process of human reproduction is far more complex than market reproduction. It is influenced by a host of factors, including politics, society, history, even religion, geography, climate, and local customs and habits, in addition to economic development. Furthermore, the scope of application of population planning is wider than that of material reproduction planning. Material planning typically involves only the sectors, industries, and enterprises concerned. In the case of population planning broadly defined, in contrast, people's governments at all levels, enterprises and institutions, as well as all basic units are responsible for organizing and carrying out population planning. And a substantial number of citizens nationwide are the subjects of such planning; no other form of economic and social development planning has this characteristic. Just consider: Given this country's relatively low level of economic development, its long history of feudalism, its vast size, and the diversity of regional conditions, how can it possibly manage the very complex process of human reproduction through command planning? Planning is ideological. It is a subjective reflection of the objective and is based on our projection of how objective things will develop in the future. If we try to carry out a command population plan coercively in isolation from the reality in China, the inevitable result will be a divorce between the subjective and the objective in our guiding thought. Planning and reality will then be completely out of step with each other and the real effectiveness of population control will suffer.

2. To cite economic planning as the basic reason for the adoption of birth control programs in China has no basis in fact. On the other hand, it is also not objective to deny the intimate interdependency between China's population control program and its highly centralized form of economic planning. This is precisely why the formulation, transmission, and implementation of the population control plan, as well as its methods, which was evolved under the system of economic planning, will

take a beating now since we have made the establishment of a socialist market economy the objective of economic structural reform.

2.1 Economic planning emphasizes administrative management of a highly centralized nature whereas the market economy stresses the use of the law of value to bring about the optimal allocation of resources. As reform deepens, administrative tools will play a diminishing role in economic management, some of them replaced by economic and legal tools. Administrative measures are the principal tools for implementing the population plan in China. For instance, individuals who violate the birth control policy would be subject to disciplinary sanctions and leading cadres are the target of "one-vote veto" for failing to accomplish the population control plan. In a market economy, enterprises operate as independent commodity producers and traders which exercise decision-making authority in their operations and take risk on their own. It is the enterprises' own bottom line that will determine their behavior. Out of economic self-interests, enterprise leaders are absolutely free to cut back on the use of or stop using administrative tools in dealing with violators of the family planning policy and other matters not directly related to production. They may even relax birth control management or scrap such management altogether. After the hiring system is changed, the powers and obligations of an employer vis-a-vis his employees and vice versa will be laid down explicitly in a contract. It is not likely that administrative sanctions can override this legal document and become valid, particularly in birth control cases.

2.2 With a market economy, China will no longer feature just one form of public ownership, namely public ownership. Instead, there will be multiple ownership systems dominated by public ownership. This will lead to the formation of a host of distribution mechanisms led by distribution according to work, with others playing a supplementary role. Price reform will spell an end to the assorted defects caused by distorted price signals and powerfully regulate the formation of personal disposable income. The demise of egalitarianism and the implementation of the policy of allowing some people to get rich ahead of others will inevitably widen income gaps. All these changes will deal a heavy blow to economic penalties as an instrument of birth control management. The policy of fining somebody for violating the population control plan does not work when the violator is high-income. He will simply pay up and have his child anyway. The rise in the incomes of rural and urban households will render insignificant the material incentives for having a one-child family. The government may make the incentives more generous but how is it going to pay for them? As for making compliance with the birth control policy a criterion in reviewing and approving certain types of economic activities, that too runs counter to certain tenets of the market economy.

2.3 In a market economy China's labor market will mature even more rapidly. The market restraining mechanism for achieving the optimal allocation of labor resources through the circulation of manpower will become stronger and stronger. Driven by economic interests, workers will migrate between urban and rural areas, among sectors, from one ownership system to another, and between enterprises, breaking down all barriers that have shackled them. Labor mobility in turn will spawn the movement of population. The fact of the matter is that already some of the underlying conditions that have hampered population movement have been reformed in recent years or are about to undergo some change. So far 28 provinces, autonomous regions, and municipalities directly administered by the central government have revamped their grain procurement and marketing system and many cities have abolished grain rationing. In fact grain has been circulating on the market like any other ordinary commodity. The rules for transforming the enterprise mechanism are clear. Enterprises are free to decide on their own how long they want to keep an employee and the size of their staff. There are some restrictions on the use of peasant workers; realistically speaking, however, it would be difficult to prevent an enterprise from choosing workers of a particular origin based on need. Housing reform will provide an even easier solution to the problem of housing people and workers on the move. Also in the works is the reform of the permanent residency registration system. As I see it, all these reforms mentioned above are a boost to economic development and would help check population growth in the long run. However, we must see that the current system of population growth management to a large extent is dependent on the system described above. The way a birth control policy violator is handled, for instance, is tied in with the various rules and regulations governing residency registration, housing, grain rationing, and employment. The implementation of the assorted reforms mentioned above and the consequent massive increase in the floating population will also deal a heavy blow to the territoriality principle of the present system of population growth management.

In remunerating the ways in which the deepening of economic structural reform and the continuous improvement of the market mechanism will batter the mechanism and modes of operation of the present system of population growth management, we are not trying to link economic planning to family planning and population control or suggesting that the latter is based on the former. Instead what we are saying is that we must pragmatically understand the dependency of the operating mechanism of population planning on economic planning, appreciate the way in which our current work would be affected by our choice of a socialist market economy as the goal of economic reform, and realize the need to come up with a new population control mechanism and methods of management based on the principles of the market economy. The aim is to change the

reproductive aspirations of society and alter its reproductive behavior, thus further achieving the basic national policy of family planning in the new era.

We should not feel pessimistic because family planning work has come under heavy pressure. If we analyze the whole picture and think long term, in fact, the establishment of a socialist market economy would help change the public's thinking on reproduction in a fundamental way, which would improve the overall climate for family planning work and create a population growth control mechanism where the macroeconomy meets the microeconomy, thereby giving an impetus to family planning work in China. This is how it will work:

a) What has happened since reform got under way proves conclusively that a highly centralized planned economy is not compatible with the level of productive forces in China. The fact that there is just one ownership system is not conducive to mobilizing the initiative of all quarters and retards economic development. In putting forward unequivocally the establishment of a socialist market economy as the objective of economic structural reform, our basic purpose is to further liberate and develop productive forces, make China more powerful all around and raise the people's living standards. Using a wealth of facts from both China and the rest of the world, both past and present, many demographers have proved a causal relationship between economic development and fertility rates and identified the ways in which economic conditions influence reproductive aspirations. In China, it is economic backwardness that lies at the root of a fairly high birthrate. For this reason achieving fast economic growth and improving the people's living standards are a basic precondition for checking population growth. The relatively low natural population growth rates in the West are primarily the result of its high level of economic development. Here in China, we can also explain the fact that the overall urban birth rate is much lower than its rural counterpart by pointing to the higher living standard in cities, their relatively comprehensive social security system, and their more complete range of services. We have every reason to believe that as the market economy becomes more and more comprehensive and people's living standards keep going up, the basic conditions for birth control work will improve substantially and the reproductive aspirations of the people will change fundamentally.

b) The perfection of the market economy will further blur the boundaries between the city and the countryside and spur the movement of rural workers and the rural population, thus dramatically accelerating urbanization in China. In the days of highly centralized economic planning, we used administrative methods to sever the links between the city and the countryside artificially and prevented the movement of the rural population in a variety of ways, using all our ingenuity to bind peasants to the soil. As a result, not only did Chinese urbanization suffer badly stunted growth and peasants' living standards lagged, but the vast number of peasants remained shackled ideologically with the philosophy of the small

peasant economy and wedded to backward production methods, thereby hindering their acceptance of new concepts, new thinking, and new things. This ideological base has also reduced their acceptance of family planning propaganda and affected the implementation of the population plan. The development of the market economy will bring to fruition the realignment of elements of production. Grain, price, and housing reforms will gradually break down the assorted barriers to peasants entering a city to work, do business, or start an enterprise. The massive migration of peasants and the birth and growth of small and mid-sized cities in large numbers have become irreversible trends. When large numbers of peasants leave the land permanently or periodically, ending the small-peasant-economy way of life, and enter the cities to join forces with new capital goods and new production methods, they will become that much more amenable to new ideas, including ideas on reproduction. This will give a boost to the launching of rural birth control work.

c) The reform of the employment system is an important component of the development of a market economy. In the past, the government took care of distribution in urban areas and gave workers jobs for life, at the same time making sure that peasants in the countryside were kept out of the cities. Now that arrangement will be dealt a heavy blow by the market economy. In accordance with the rules for transforming the enterprise operating mechanism, the enterprise hiring system of the future will be one of dual choice. The enterprise will decide the duration of employment, how many people it will hire, and the form of such employment. The employee, for his part, will also get to choose which enterprise he wants to join and in what capacity. Nowadays, enterprises particularly state enterprises, are over-staffed with a large number of redundant personnel. With hiring reform, this situation will become a thing of the past. Meanwhile, the state will phase out the practice of providing jobs to college and technical secondary school graduates. When we consider also the large numbers of peasants making their way into urban areas, we could see that the problem of labor oversupply in China will become apparent. For a while the employment market will come under enormous pressure. With a new mechanism, employment pressures will no longer be artificially masked. Not only will the government be aware of such pressures but, thanks to the media, so will every household and every individual. The awareness of employment pressures will influence the thinking of every individual, forcing him to modify his behavior, including reproductive behavior.

d) The introduction of the market mechanism into the hiring system and employment system will hasten the maturation of the labor market and intensify the competition for jobs among workers. More and more, whether or not a worker lands a job, his working conditions, and the size of his paycheck will depend on his quality. The result is a deeper understanding by the public of the importance of a population's quality. There comes a point in economic development when the main

driving force behind rising household incomes is no longer an increase in the quantity of labor inputs but an improvement in their quality. When that comes to pass, every family will naturally take special pains to improve the physical and cultural quality of its children by investing significantly more in their education. Thus willingly or unwillingly people must practice birth control. Moreover, young men and women in their prime reproductive years find themselves in a fiercely competitive job market. Their mission—raising their educational standard, acquiring work skills, and making themselves more competitive—will also force them to have fewer children.

e) Both the reform and improvement of the urban social security system and the creation of a rural social security system are the objective requirements of perfecting the socialist market economy. In urban reform we should focus on expanding the scope of social security, diversifying the sources of insurance funds, and establishing a personal contribution mechanism to put an end to the practice of having the state pay for everything. These measures will consolidate the achievements of family planning in cities. In the countryside, we should concentrate on establishing a variety of social security systems to suit the characteristics of a locality. For starters, we need to provide for the elderly. In most rural areas in China today the elderly remain dependent on their children to provide for them, an arrangement that will come under challenge from the development of the market economy, the shift of rural manpower into non-agricultural sectors, the breakdown of urban-rural barriers, and the migration of urban and rural workers. It is objectively imperative that this practice be reformed and social security be introduced. Thus establishing a social security system in the countryside is absolutely not just a matter of providing welfare for the elderly, but has to do with the market economy. The creation of a rural social security system will powerfully stimulate changes in public thinking on reproduction. [passage omitted]

LABOR

Deng Tame on Workers, Labor Unions Reviewed

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[Text] In leading the great mission of our nation's socialist modernization, reform and opening up, Comrade Deng Xiaoping has consistently stressed tasks related to the working class and the labor unions. The various major statements he has made concerning total reliance on the working class, giving full play to the role of the labor unions and similar topics are a scientific summation of the workers' movement and the work of the labor unions in our country, are the most formidable ideological weapon for the promotion of the healthy development of the labor movement and labor union work in our nation, and have become a major and integral part of the theory of establishing socialism with Chinese characteristics.

The earnest study and penetrating research into Comrade Deng Xiaoping's thoughts on the working class and the labor unions is of extremely vital and immediate significance and profound historical significance as regards gaining a deep understanding of the theory of building socialism with Chinese characteristics, as regards the fundamental guiding principles of comprehensively carrying out the Party's basic line and wholeheartedly relying on the working class, as regards actively seeking out the new paths for the work of the labor unions which are imbued with Chinese socialism, and diligently creating new situations in labor union work, to come together and mobilize the billion workers to more closely unite around the party center with Comrade Jiang Zemin as its core, to fight the hard fight, and win the great victory of the cause of socialism with Chinese characteristics.

The book *Deng Xiaoping on The Working Class and Labor Unions*, edited and published by the All-China Federation of Trade Unions (ACFTU), is one of the major foundations of trade union theory, and with major support and help from Central Document Research Office, the Central Archives and the news media, *Deng Xiaoping on The Working Class and Labor Unions*, is presented today to the reading public. This book is a selection of expositions made in various historical periods by Comrade Deng Xiaoping on the subject of the working class and trade unions, a total of 55 major pieces. Using the "Speech Delivered at the Ninth National Convention of the ACFTU" as the introduction to the entire work, the remainder is arranged according to historical periods, and incorporates 32 works written since the 3rd Plenum of the 11th Central Committee, 19 works from the period between the founding of the nation and the 3rd Plenum, and three works from the period before liberation.

Of the 55 works included, 40 were taken from the first three volumes of the *Selected Works of Deng Xiaoping*, three from *Deng Xiaoping on Building the Party*, four items appeared in the PEOPLES DAILY and the CHINA WOMENS DAILY newspapers; six of the works were published by the ACFTU; two works, "Outline of the Report Given at the Southwest Sector Cities Work Meeting" and "On the Correct Relationship of the Party with Mass Organizations" are here published for the first time.

The introductory speech was given by comrade Deng Xiaoping as representative of the Party Center and the State Council at the Ninth Plenum of the ACFTU on 11 October 1978 when, with the bold vision of a proletarian strategist he revealed the great continent of China was about to enter the historical era of reform and opening up, and incisively pointed out that reform was "a great revolution" and clearly set forth the historical mission of the working class and the workers' movement, penetratingly explained that the work of the trade unions in the new era must be to educate and mobilize the workers to make contributions to the "four modernizations," that the trade unions must speak for and accomplish things

for the workers, must struggle for the democratic rights of the workers, and lay an important theoretical foundation for opening up a new path for our nation's workers movement and for the work of the trade unions, which became the program of action for the workers movement and the trade union's work in the new period.

Clearly one of the main themes running through *Deng Xiaoping on The Working Class and Labor Unions* is the ideology of completely relying upon the working class. The speech "Outline of the Report Given at the Southwest Sector Cities Work Meeting" published here for the first time, is the outline of a report personally scribed by Comrade Deng Xiaoping in 1950 for the first cities work conference convened in the southwest sector. In this report outline, Comrade Xiaoping thoroughly explains how to rely on the working class. He says: first, from an ideological viewpoint one must realize the role of the working class, that if one does not rely on the working class, industrial production will be impossible and no advancement to socialism can be made. Secondly, we must organize the majority of the workers into the trade unions. If we neglect trade union work, our reliance on the working class will be without substance. Thirdly, be zealous in our concern for every aspect of the working class; take care of all their political, cultural, living and material benefits' requirements; do not lightly dismiss the "small matters" which are of benefit to the workers.

Be on guard against the erroneous viewpoint of those comrades who rely upon them in times of difficulty but not when things are going well, who rely when they need them, and do not rely on them when they do not need them, who talk about relying on them but do not really think they must rely on them at all. Such errors must be corrected. Fourthly, relying on the working class must become the guiding ideology of the Party; it must pervade each and every department; it cannot be considered the responsibility of only the trade unions and the factories. These vitally important thoughts expressed by Comrade Deng Xiaoping still have very real and practical applications, major theoretical implications and continuing historical significance under the new situation of reform and opening up.

Wholeheartedly relying upon the working class has been Comrade Deng Xiaoping's consistent thinking. As early as 1956 in his report given on the revision of the Party Constitution at the Eighth Party Congress he elucidated the party's mass line. Speaking from the level of historical materialism, he pointed out: "Marxism has always held that, in the final analysis, history is created by the popular masses. The working class must rely upon the mass power of its own class and the mass power of the entire body of working people: only then can it fulfill its own historical mission." Since the 3rd Plenum of the 11th Central Committee, Comrade Deng Xiaoping has frequently spoke about the historical position and role of the working class, reiterating that "Through a long series of trials the working class of our nation has proved itself

to be a revolutionary leading class steadfast in its stand." He has clearly pointed out that: "the working class is reliable."

Deng Xiaoping on The Working Class and Labor Unions repeatedly emphasizes the relationship between strengthening the party's leadership and the labor unions carrying out their work in an independent and self sustaining manner. On the one hand he emphasizes that the mass organs should lay out their work in accordance with the overall work of the party, respect the party's leadership, and absolutely never support a work goal which is in opposition to party goals. On the other hand, he also emphasizes that the party committees should honor the independent nature of the mass organs, and should not run the union's show as they please without consulting them. We must not only avoid the tendency of the mass organs breaking away from the party's political leadership, but must also avoid the tendency of the party running everything. The present volume for the first time publishes the summation he gave at a meeting of high level cadre of the Taxing sub bureau on 20 February 1942 wherein he clearly stated that one of the major criteria for trade union work is "the question of the correct relations between the party and the mass organization."

Comrade Deng Xiaoping has always paid close attention to the problem of democratic control of enterprises. In his "Outline of the Report Given at the Southwest Sector Cities Work Meeting" given in 1950, he specifically brings up the question about enterprises carrying out the "democratization of management" He is of the opinion that the democratization of management must take place within "reliance upon a union of workers and staff" especially it should come about in a form embodying the trade union, the workers management committee and the staff representative committee. If it is not done this way there can be no talk of democratization, since there would be no democratic content to it. In 1957 at the 3rd Plenum of the Eighth Party Congress, Comrade Deng Xiaoping pointed out that "the congress of staff and worker representatives expands the democratic nature of the enterprise, is an ideal form which brings in the staff and the workers to join in management of the enterprise, staves off bureaucracy, and is one of the effective methods of handling contradictions among the people." In 1978 in his speech at the ACFTU's Ninth Congress, Comrade Deng Xiaoping reiterated: "All enterprises, without exception, must implement democratic management," "each enterprise's trade union should become a working organ composed of the staff and workers representative committee and the staff and workers congress." Since the Third Plenum of the 11th Committee, Comrade Deng Xiaoping has taken as the order of the day the democratization of enterprise management as being one of the major components of reform of the enterprise management system. He has repeatedly emphasized one of the three major components of the reform of the political system is to "stimulate the enthusiasm of the lower levels, the workers, peasants and intellectuals to

participate in management, so that the democratization of management can be realized."

The nature of the socialist country and the basic socialist system determine that, no matter what changes take place in the enterprise system, we must always carry through with the thought of Deng Xiaoping, support and perfect the system of staff-worker congresses, and give full play to the role of the trade unions and democratic management rights of the staff and workers.

Comrade Deng Xiaoping's thought on the working class and the trade unions is large on content, incisive in exposition. Beginning with the inherent characteristics and historical mission, he reiterates the idea that the working class is the leading class of the revolution and calls upon the working class to display its glorious tradition of struggle and hard work and make its contribution to the realization of the four modernizations. He calls upon the working class to strive to grasp modern technological knowledge and management techniques, to act as vanguard role models in the reforms, emphasizing that the model workers and exemplary revolutionaries who appear among the masses of staff and workers are the models we study and the core about which we unite. He also puts forward the views that the intellectuals are one of the parts of the working class; and the working class in our country should strengthen its ties with workers across the world, and so forth. On the basis of a summary of the historical experiences of our nation's trade union work, Comrade Deng Xiaoping clearly points out that the trade unions are not something that we can do as well with as without, it should be an organization the workers can believe in, that speaks for the workers and does things for the workers, so that the broad masses of workers all feel that the trade union is indeed the workers' own organization.

He believes that implementation of the four modernizations is the basic task of the trade unions in the new era and the quality of the work of the trade unions will influence the workers in the performance of their rights as masters of their house. He emphasized that the trade union organizations must keep closely linked to the masses, and must themselves be models of democracy. Comrade Deng Xiaoping's speeches on the work of the trade unions clearly point out the path we are to follow, and are a formidable ideological tool for accomplishing trade union work in the new era.

Under the guidance of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics strive to find new paths for trade union work in the new era, and earnestly strive to create a new situation in trade union work.

Statistical Bureau Releases 1993 Labor Statistics
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[By own correspondent Li Jianlin (2621 1696 2651):
"Statistical Bureau, Ministry of Labor Publish Report on
the Development of Labor Affairs During 1993"]

[Text] Today, the Statistical Bureau and the Ministry of Labor published a joint report on the development of labor affairs during 1993. The report indicates that new achievements have been accomplished in three aspects of the reform of labor affairs, namely in the further promotion of labor, in wages, and in social security, with key concern having been given to the nurturing and development of manpower markets.

In 1993, the nation's entire manpower resource amounted to 820 million persons, and the number of employed was 605.9 million, which was 11.58 million more than in the preceding year. The total number of persons requiring employment in all the urban areas of the nation was 11.47 million. Of these, 7.05 million were placed throughout the year, leaving 4.2 million still unemployed, thus giving an unemployment rate of 2.6 percent.

Reform of the labor system toward one in which labor contracts signed by all staff and workers would constitute the major component of labor relations was widely extended beyond the experiments of the past. By the end of 1993, a total of 5.5 million staff and workers in state-owned and collective-owned enterprises throughout the nation had participated in the reform of the labor system, and 3.5 million of these had become staff and workers on the labor contract system, making up 31 percent of all enterprise staff and workers.

Salaries and wages were further raised. In 1993, total salaries and wages paid to staff and workers throughout the urban areas of the nation amounted to 477 billion yuan, which was 21.1 percent more than in the preceding year. Average staff-worker pay was 3,236 yuan, a 19.4 percent increase over the preceding year, but taking the commodity price inflation factor into account, the actual average salary-wage increase was 2.8 percent. Among these, the average salary-wage of staff and workers in state-owned units was 3,441 yuan, an increase of 19.6 percent.

The report reveals that in 1993 China made considerable progress in providing social security. During 1993, a total of 46.1 billion yuan had been paid into the social security fund (not including the portion taken care of by the systems themselves) and 41.9 billion yuan had been paid out, as 28.8 billion yuan were carried forward as balance (including purchases of special government bonds). In these figures, 44 billion yuan were paid into the basic old-age insurance fund, which paid out 40.8 billion yuan, and 24.5 billion yuan were brought forward as balance.

By the end of 1993, 618 cities and counties had instituted reforms toward an old-age pension scheme, involving 25 million staff and workers in state-owned enterprises.

The scope to which society as a whole takes charge of retirement expenses was further extended. Up to the end of 1993, 13 provinces, autonomous regions, and centrally controlled municipalities had already instituted a

system of taking charge of retirement expenditure unifiedly at the provincial level. As to cities and counties taking charge unifiedly of retirement expenditure, apart from the state-owned enterprises which throughout the nation had already instituted the system of having cities and counties unifiedly taking charge of retirement expenditure, there have been 1,927 other cities and counties that had begun to have society take charge of retirement expenditure for collective-run enterprises in the urban areas, an increase of 168, compared with the preceding year. Throughout the country, 73.36 million staff and workers and 16.28 retired personnel of 590,000 enterprises of various kinds are participating in the system of having society unifiedly take charge of retirement expenditure. At the same time, a further 3,100 enterprises have instituted subsidiary old-age insurance, involving 500,000 staff and workers; 6,000 enterprises have instituted old-age insurance in the nature of savings accounts, involving as many as 700,000 persons. Beyond that, as a convenience for the vast number of retired personnel, social encumbrances of enterprises have been lightened, and throughout the country there are already 1,000 cities and counties that have instituted systems of having banks or social security organs issue pensions.

Experiments have been speeded up with reforms toward a system of insurance against work-related accidents. Throughout the country, 500 cities and counties in 19 provinces, autonomous regions, and centrally controlled municipalities with a total population of 11 million are participating in the reform toward insurance against work-related accidents. Central management and regulated initiation of a fund for insurance against work-related accidents has initially been started, employing a system of differential and flexible rates, thereby promoting the safety of ongoing production in enterprises.

The reform toward a system of medical insurance has been further pursued. Throughout the country, 2.6 million staff and workers in 221 cities and counties are already participating in systems of having society unifiedly take care of medical expenditure for employees and workers, and 2.8 million retirees in 134 cities and counties are under a system of having their medical expenses taken care of unifiedly.

The scope and cover of unemployment insurance has been further expanded, and the system is being gradually perfected. Up to the end of 1993, 532,000 enterprises with a staff and workers establishment of 79.24 million are participating in unemployment insurance. In 1993, 1.63 billion yuan had been raised as unemployment insurance fund, and 930 million yuan have been paid out as unemployment relief, medical expenses during periods of unemployment, retraining fees, and as expenditure to help unemployed take up productive activities. The agencies in charge of labor affairs have provided unemployment relief all over the country to 1.03 million unemployed, and have thereby effectively contributed to social stability.

New progress has also been made in the reform toward a system of maternity insurance. Up to the end of 1993, 268 cities and counties—170 more than in the preceding year—had instituted maternity insurance for their female employees and workers, involving 5.5 million staff and workers. This reform adjusts to a certain extent the burden of maternity insurance as between the enterprises and promotes employment of women.

Nationwide expenditure for insurance and welfare has been further increased. In 1993, total nationwide expenditure for insurance and welfare amounted to 165.82 billion yuan, an increase of 35.79 billion yuan—or 27.5 percent—over the preceding year. At the end of the year, the number of retirees throughout the nation was 27,497,000, and pensions amounted to 90.17 billion yuan, which was 31.5 percent more than in the preceding year. (Figures for retirees and pensions do not include any proportion of civil administration departments.)

During 1993, the factory safety situation was grim, as there was a large increase in the number of accidents and in the number of injured and killed personnel during the year, which indeed must attract serious attention. Nationwide, work-related accidents caused the death of 19,798 enterprise staff and workers, an increase of 18.5 percent over the preceding year. Of these accidents, 616 had been serious accidents that caused the death of three or more persons in the same accident. In these accidents 3,819 persons have been killed, and the number of such accidents and the number of killed had increased 0.2 and 3.8 percent, respectively, compared with the preceding year. During 1993, road and traffic accidents nationwide kept occurring at a high rate without diminishing. The number of traffic accidents during the year had been 242,343, with 65,508 persons killed and 142,251 persons injured, and with a direct economic loss of 1 billion yuan. During 1993, there had been 38,094 conflagrations throughout the country, causing the death of 2,467 persons, which was 27.4 percent more than in the preceding year. They caused economic losses amounted to 1.12 billion yuan (not including forest fires), which was an increase of 62.3 percent over the preceding year. During 1993, 3,175 accidents of railway trains in motion had occurred nationwide, causing 46,781,000 yuan of direct economic losses, 9.2 percent less than in the preceding year. During the year, 2,430 serious accidents had occurred on the railway trains themselves, killing 181 persons, an increase of 38 percent, and 16,353 serious accidents outside the railway tracks, killing 9,989 persons, an increase of 10 percent over the preceding year. During 1993, 2,008 accidents occurred in shipping enterprises under the Ministry of Communications, on cargo boats belonging to local transport departments, on cargo boats of villages and townships, and on ferries, i.e., accidents of a kind more serious than the common shipping accidents, a decline of 18.4 percent compared to the preceding year. They killed 557 persons, which is about the same number as in the preceding year, and 37 of the boats or ships involved sank, which was a decline of 2.3 percent, compared to the preceding year, while

economic losses were 147 million yuan, an increase of 13.2 percent over the preceding year. During 1993, there had been nationwide three first-grade accidents and two second-grade accidents of China Airways, and there had been two first-grade air accidents and two second-grade air accidents in general aviation.

With the intensified reform of the labor system, the system of settling labor disputes has been gradually perfected. In 1993, the labor dispute arbitration committees at all levels handled 12,658 labor disputes, an increase of 51.6 percent over the preceding year, and involving 34,794 employees and workers, an increase of 99.8 percent over the preceding year.

AGRICULTURE

Changes in Rural Occupations Examined

94CE0461A ZHONGGUO NONGCUN JINGJI
[CHINA'S RURAL ECONOMY] in Chinese No 3,
20 Mar 94 pp 33-38, 20

[Article by Zhao Changbao (6392 7022 0202), Xie Yiya (6200 5030 0068) and Lu Wen (4151 2429), CPC Central Committee Policy Research Office and Ministry of Agriculture Jointly Operated Permanent Rural Observation Site Office: "Survey of Peasant Occupational Differentiation"]

[Text] In 1992, the Permanent Observation Site Office conducted a special survey of peasant occupational differentiation through 312 permanent rural observation sites in 29 provinces (autonomous regions, or cities) located throughout the country.

1. Current Status of Peasant Occupational Differentiation

The survey showed that more than a decade of reform has demolished the peasants' single occupation status of the people's commune era. Today, the peasants have the freedom to change their status and select an occupation. The employment structure has undergone marked changes.

This survey divided peasant occupations into 10 categories as follows:

1) **Peasant laborers.** This category consists primarily of peasants who contract the use of collective land for farming, forestry, animal husbandry, and the fishing industry, all or most of their income coming from agriculture. They may be further divided into those who work solely in agriculture, and those who work mostly in agriculture but also in some other industry.

2) **Peasant workers.** These are peasants who work all year round, or most of the time, in township and village collectively owned enterprises and state-owned enterprise units doing jobs in secondary or tertiary industries.

3) **Township and village collective enterprise managers.** These are plant directors and plant managers, as well as people who head up laboratories, and supply and marketing personnel in township and village (or group) collectively owned enterprises. They are the people who hold administrative and management authority and decision making authority in enterprises.

4) **Individual or partnership industry and business workers and business persons.** These are laborers engaged in nonagricultural labor and business in industries, transportation, businesses, or food and beverage services in which the means of production or money are individually owned or owned in partnership. These industries and businesses may have hired workers, but they have not yet attained the status of a privately owned enterprise.

5) **Operators of privately owned enterprises, i.e., owners of privately owned businesses.** A privately owned enterprise is one in which an individual or partners own the means of production, in which mostly hired labor does the work, in which all or most after-tax profits go to the owners of the means of production, and that are rural economic entities of substantial size. Specifically, a privately owned enterprise: 1) hires eight or more workers (including apprentice workers); 2) has fewer than eight worker but has assets (fixed assets and working capital) of more than 50,000 yuan; 3) is a partnership in which the number of hired workers is greater than double the total amount of family manpower put into the partnership, and whose assets are worth more than 50,000 yuan.

6) **Hired laborers.** This means laborers who work year round, or most of the year, as laborers in a noncollective and nonstate owned enterprise unit such as a privately owned enterprise, an individual owned enterprise, or a partnership industry or business. These laborers do not have enough land or other means of production to make a living by themselves.

7) **Township and village cadres.** This term applies to township and village cadres who do administrative leadership and management tasks year round, or most of the time. For the most part, they do not have production jobs. Most draw a fixed wage or enjoy a fixed allowance.

8) **Workers in education, science and technology, medical treatment and health care, culture and the arts.** These are peasants and intellectuals engaged in intellectual occupations in rural villages.

9) **Houseworkers.** This term applies to laborers who do house work year round and who do not engage in production for the most part.

(10) **Other laborers.** This means workers other than those in the above nine categories, such as laborers having no fixed occupation.

Inasmuch as houseworkers do virtually no work in production, since other laborers have no relatively fixed occupational status, and since township and village cadres and workers in education, science, medical treatment, and the arts are groups that have not newly appeared since reform, they are not the principal focus of this article's analysis.

Thus, the current spread of the rural work force is as shown in Table 1.

Table 1. Peasant Occupational Makeup

Occupational Category	Percent of All Manpower	Percent of Males	Percent of Females
Total	100.0	100.0	100.0
1. Agricultural laborers	63.4	63.3	63.4
2. Peasant Workers	12.2	14.4	9.9
3. Managers of Township and Village Collective Enterprises	0.9	1.5	0.3
4. Laborers and business persons in individual or partnership industries and businesses	6.5	8.2	4.6
5. Private business operators	0.8	1.1	0.5
6. Employees	3.0	3.3	2.8
7. Township and village cadres	0.6	1.1	0.2
8. Workers in education, science and technology, medical treatment and health care, and the arts	1.1	1.2	0.9
9. House workers	8.1	1.7	15.2
10. Other laborers	3.3	4.2	2.2
Total laborers per village	778.7	407.1	371.6

The foregoing table shows that large amounts of rural manpower have left agricultural production to work in secondary and tertiary industries. Most of the manpower that has left agriculture has flowed in one of two directions. First, it has gone into township and village collectively owned enterprises and state-owned enterprise units. A

relatively small 5.2 percent has gone into nonagricultural work such as in state-owned enterprise units, while a much larger percentage has gone into township and village collective enterprises. Second, it has flowed mostly into the individually or privately owned economy. This category of laborers is comprised largely of the owners of the owners of

privately owned enterprises, and the owners and hired workers in individual or partnership industries or businesses. The number of people who have gone into state-owned enterprise units, township and village collective enterprises, and the private economy total 28.3 percent of the nonagricultural population. The development of township and village enterprises and the individually and privately owned economy has played an important role in the shift of agricultural manpower. Gender plays a definite role in rural manpower's selection of an occupation. This is manifested largely in a much larger percentage of females than males leaving production to do housework. However, except for the old and the physically impaired, virtually all males are involved directly in production activity. Among agricultural laborers, females employed solely in agriculture account for 45 percent of total manpower in this category, 4.9 percentage points more than males. However, in the various nonagricultural occupations, the percentage of males is higher than females.

The occupational situation in the country's three main regions as shown in Table 2 suggests that the percentage of the rural work force working as agricultural laborers increases from the eastern to the central and western regions of the country. Correspondingly, the percentage of nonagricultural laborers is largest in the eastern region. The nonagricultural manpower in township and village collective enterprises (the peasant workers in

township and village collective enterprises, and managers in township and village collective enterprises) is 31.8 percent in the east, 26.8 percent in the central region, and 23.2 percent in the West. In the eastern region, those who have become owners of privately owned enterprises in the individual and private economy, or operators and hired workers in individual or partnership industries or businesses number 31.8 percent of the nonagricultural work force. It is 23.8 percent in the central region and 26.8 percent in the western region.

In the eastern region, the peasant occupational structure shows a fairly marked nonagricultural shift, and the collective and privately owned economies play an equally important role in soaking up nonagricultural manpower. In the western region, the tilt of the occupational structure toward other than agriculture is reactively slight. The percentage of agricultural laborers is relatively high, and the percentage of nonagricultural manpower flowing into township and village collective enterprises is relatively low. In the central region, the situation is in between that of the eastern and western regions. By comparison with the western region, township and village collective enterprises soak up a comparatively large amount of the work force; however, the role of the individual and private economy in soaking up manpower is relatively slight.

Table 2. Peasant Occupational Makeup in Three Major Regions (%)

Occupation	Eastern Region	Central Region	Western Region
Total	100.0	100.0	100.0
1. Agricultural laborer	57.0	63.6	70.8
2. Peasant worker	15.5	11.3	8.2
3. Township and village collective enterprise manager	1.2	0.8	0.7
4. Individual or partnership industry or business worker or operator	8.4	4.9	5.5
5. Private enterprise operator	1.2	0.8	0.3
6. Hired laborer	4.1	2.5	2.0
7. Township and village cadre	0.7	0.7	0.5
8. Worker in education, science, medical care, and culture	1.0	1.4	0.8
9. House worker	8.1	8.3	7.9
10. Other worker	2.8	3.7	3.3
11. Total number of workers per village	957.6	664.9	719.1

The survey shows a definite correlation between the degree of socio-economic development and the occupational

structure. We can observe this from the village per capita income level (See Table 3).

Table 3. Net Per Capita Income and Peasant Occupational Structure

Occupation	Under 400 yuan	400-600 yuan	600-800 yuan	800-1,000 yuan	1,000-1,500 yuan	above 1,500 yuan
Total	100.0	100	100	100	100	100
1. Agricultural laborer	80.3	70.7	72.0	65.4	54.1	27.5
2. Peasant worker	3.6	6.3	9.0	9.9	14.3	37.3
3. Township and village collective enterprise manager	0.2	0.5	0.7	0.9	1.1	2.8

Table 3. Net Per Capita Income and Peasant Occupational Structure (Continued)

Occupation	Under 400 yuan	400-600 yuan	600-800 yuan	800-1,000 yuan	1,000-1,500 yuan	above 1,500 yuan
4. Individual or partnership industry or business worker or manager	2.5	5.2	4.4	6.5	9.5	12.8
5. Private business operator	0.2	0.6	0.6	0.5	1.7	1.6
Hired worker	1.5	2.2	2.5	2.7	4.2	5.8
Township and village cadre	0.4	0.6	0.5	0.8	0.7	0.8
Worker in education, science, medical care, or culture	1.0	1.2	1.0	1.0	1.1	0.9
House worker	7.8	10.3	6.7	7.4	10.0	6.0
10. Other worker	2.5	2.6	2.6	4.9	3.2	4.4
Number of workers per village	544.0	692.4	784.7	862.5	859.1	1,044.1

Table 3 shows that in areas where per capita income is high, the percentage of peasants in nonagricultural occupations is relatively high and vice versa. The percentage of village laborers having a net per capita income of more than 1,500 yuan is lowest, and the percentage of those engaged purely in agriculture is even less, amounting to only 14.6 percent of rural manpower. However, in the group making a net per capita income of less than 400 yuan, they number 60.2 percent, the highest group of all. In the group making between 600 and 800 yuan, they number 50.7 percent. Township and village enterprises are fairly well developed in villages where people have a net per capita income of more than 1,500 yuan. These township and village enterprises employ 52.1 percent of non-agricultural manpower as peasant workers and managers. Private enterprise owners, individual or partnership industry or business operators, and hired laborers account for 27.9 percent of nonagricultural manpower. In the 600-800 yuan group, township and village enterprises employ 34.7 percent of nonagricultural manpower as peasant workers and managers, and private enterprise owners, individual or partnership industry or business operators, and hired laborers account for 26.5 percent of nonagricultural manpower. In the below 400 yuan group, the percentages are 8.4 and 21.2 respectively. This shows a relatively high percentage of nonagricultural manpower in high income villages, an overwhelming majority of which has fairly stable employment, while in low income areas, the non-agricultural manpower percentage is very small, and a substantial percentage of it is not engaged in production activities. The role of collective enterprises and individually or privately owned economic components in absorbing surplus agricultural manpower is very limited, agriculture being the main occupation.

To summarize the foregoing, the peasant occupational structure at the present time may be capsulized as follows:

1. Rural reform has freed the peasants from the bondage of the people's commune system. As the rural economy develops, bringing steady changes in the industrial structure, some peasants have left agriculture for jobs in the

nonagricultural sector. The substance of peasant employment has changed with reform, employment opportunities becoming more varied.

2. The occupational structure today has a marked transitional character. On the one hand, because of various limitations, most peasants remain on the land. Despite the large surplus labor, they are unable to transfer into secondary and tertiary industries. On the other hand, the manpower that has transferred out of agriculture still maintains countless ties with those who have not. They are still not secure in their jobs, where mergers are constantly occurring. The survey results show 0.7 persons per household surveyed as working in other than agriculture, 0.3 of them working there for less than six months each year. Moreover, each time a change occurs in government policy orientation, a chain reaction is produced in the percentage of rural manpower employed in nonagricultural pursuits.

3. Occupational structure reflects an area's industrial structure, and differences in industrial structure make for differences between one area and another in peasant employment. In economically developed areas, nonagricultural industries are usually also fairly well developed, and the amount of manpower working in other than agriculture is substantial. However, in economically backward areas where agriculture still plays a dominant role, the occupational structure is also tilted toward agriculture.

4. Township and village collective enterprises, privately owned enterprises, and individual or partnership industrial and business households are the main outlets for surplus manpower. Collective enterprises are frequently fairly large and soak up substantial manpower. However, the number of such enterprises is fairly small, and they are very unevenly distributed. Although fairly small in size and absorbing little manpower, privately owned enterprises, and individual or partnership industrial or commercial households are fairly large in number and cover a wide area. Both of these economic components play a major role as outlets for the shift of manpower today.

5. From the standpoint of the peasants becoming prosperous, since they have a great radiating effect, township and village enterprises play a substantial role in bringing about joint prosperity for whole villages. That more than half of the non-agricultural manpower is employed in township and village collective enterprises in villages where net per capita income is above 1,500 yuan provides good testimony to this. The radiating effect of privately owned enterprises and individual or partnership industrial and commercial households is small by comparison, so their role is not as large as that of township and village collective enterprises. Their effect on the rural economy is expressed largely through their demonstration effect on villagers.

Main Reasons for Peasant Occupational Diversification

The main reason for the diversification of peasant occupations since the advent of reform has been the shift into other than agriculture and other than the publicly owned economy of agricultural laborers who contracted collectively owned land. Therefore, six occupational changes in the primary industry and secondary industries should be the main emphasis of this analysis. Reduction in the number of agricultural laborers is the starting point for peasant occupational differentiation.

Many factors account for peasant occupational differentiation. There are both internal reasons and objective reasons, both historical reasons and practical reasons, and both general reasons and special reasons. Summation of all the factors leading to the main reasons for peasant occupational differentiation today may be understood from the following several aspects.

(1) Economic Development Is the Basic Animos for Peasant Occupational Differentiation

Economic development has its own inherent objective necessity. The contemporary economic development process is a process of change that has gone from primarily an agricultural economy to primarily an industrial economy, from primarily a rural village economy to primarily an industrial economy, from primarily a rural economy to primarily an urban economy, and from primarily a natural economy to primarily a commodity economy. The diversification of peasants occupations is an important ingredient of this process.

The direct force powering this process is rise in agricultural productivity. The widespread use of improved breeds and crop varieties, a rise in material inputs such as chemical fertilizer, agricultural pesticides and agricultural plastic film, a rise in the degree of mechanization, improved capital construction of agriculture, perfection of the agricultural services system, etc. have brought a rise in both the soil productivity rate and the labor productive rate, thereby setting the stage for a shift in agricultural manpower. This survey shows that 72.8 percent of villages have centrally organized the supply of improved breeds and crop varieties, that chemical fertilizer use totals 84.43 tons per village, or 34.78 kilograms per mu of cultivated land; that mechanization averages

1,014.58 horsepower per village, meaning that 57 percent of the total cultivated land area is machine cultivated today; and that 83 percent of villages have centrally organized medium and small farmland capital construction, year-end effective irrigation and drainage ditches averaging 6,533.89 meters per village for the irrigation of 56.4 percent of the total cultivated land area during the year. Improvement of the agricultural services system has not only improved working conditions, but has also saved manpower. Among rural agricultural laborers surveyed, females already outnumber males, and the educational level of agricultural laborers is also fairly low; however, neither of these factors impairs bumper agricultural harvests. On the contrary, they set the stage for male manpower and manpower of relatively high caliber to take part in nonagricultural production.

Agricultural production is characterized by seasonality. The widespread existence of long periods of surplus agricultural labor is also a basic factor in the long history of rural sideline occupations, and it also makes possible the holding of separate jobs. The survey shows that 30.6 percent of agricultural laborers hold a second job, and that only 42.8 percent of the rural work force works solely in farming. The experience of some economically developed areas shows that the shift of manpower out of agriculture usually goes through three stages: farming alone, two jobs other than farming, and concentration on a single occupation. Since China has scant resources for agriculture, and a large population relative to available land, surplus manpower exists in every rural village. This produces inherent pressure for peasant occupational differentiation. This survey shows only 3.08 mu of cultivated land per rural capita, and each person engaged in farming cultivated 5.49 mu. Idle rural manpower runs to 286.45 per village, or 36.4 percent of total manpower.

Different occupations and differences in income from different occupations play a guiding role in peasant occupational diversification. Results of a sampling of 10 percent of the high income families among all peasant families based on a 1991 ranking by per capita income showed: Forty-two percent of the high income peasant households were from among households operating privately owned enterprises primarily; 25 percent came from households engaged mostly in individual or partnership contracting of collective enterprises; 18.3 percent came from households engaged primarily in running partnerships; and 8.6 percent came from households operating family businesses, for the most part. Clearly, the percentage of high income households from the operation of family businesses mostly was lowest. The number of high income households in various occupations as a percentage of all households was as follows: 4.5 percent in farming (3.5 percent of them from grain farming), 8.7 percent in forestry, 14.1 percent in animal husbandry, 12.5 percent in the fishing industry, 27.4 percent in industry, and 28.6 percent in construction. Very clearly, the percentage of high income households engaged in farming, for the most part, was the smallest.

(2) Economic Policy Readjustments Since the Advent of Rural Reform Have Given Tremendous Impetus to Peasant Occupational Differentiation

The sidelining of surplus agricultural manpower resulting from increases in agricultural productivity, the surplus labor time and the surplus manpower employment pressures resulting from the shortage of agricultural resources, which characterize agricultural production, as well as the different occupations and the differences in income from different occupations are things guiding the shift of manpower out of agriculture and inherent causes of economic development, most of which have not just come into being. However, rural reform brought new changes and new combinations of these factors that have hastened peasant occupational diversification.

Before reform, rural villages practiced a highly centralized planned economy management system in which the peasants had no right to make their own production decisions and no division of labor and trades, to say nothing of occupational diversity. The peasants were shackled to the limited amount of land to produce enough food to eat. "Taking grain as the key link, cutting

out all else" was a true picture of agricultural production. Commune members were agricultural laborers virtually all of whom looked alike. Following reform, the peasants became relatively independent producers and operators. They had the right to make their own production decisions. They could choose what they would farm, how they would farm it, and ways to become rich. Consequently, more and more peasants devoted themselves to commodity production, left the land without leaving the village, headed for cities, and engaged in economically diversified tasks using different operating methods under different forms of ownership. The rise of nonagricultural industries and a nonstate owned economy was the basis reason for peasant occupational differentiation. As a result of rural reforms approximately one-half of the agricultural manpower under the traditional system has changed, or is in process of changing, occupation.

(3) Socio-economic environment Is an Important Condition Affecting Peasant Occupational Differentiation

Why is it that the degree of occupational differentiation differs substantially in different areas and different villages despite the same policies? This can be explained only in terms of the objective conditions such as socio-economic environment and availability of resources.

Table 4. Educational Level of Rural Manpower in China's Three Major Regions

Educational Level	Total	Illiterate or Scarcely Literate	Primary School	Middle School	Senior Middle School and Above	Average Education Grade
East China	100.00	12.60	43.05	32.18	12.16	2.44
Central China	100.0	14.84	40.73	33.90	10.53	2.40
West China	100.00	21.68	41.89	28.15	8.08	2.22

Educational Level of Peasants in Various Occupations

Educational Level	Total	Illiterate or Scarcely Literate	Primary School	Middle School	Senior Middle School and Above	Average Education Grade
Agricultural Laborer	100.00	16.60	43.92	30.60	8.86	2.32
Peasant Worker	100.0	9.47	38.11	41.02	11.41	2.54
Township and Village Collective Enterprise Manager	100.0	3.70	30.69	47.09	18.52	2.80
Individual or Partnership Industry and Business Operators	100.0	14.21	40.61	32.99	12.19	2.43
Private Business Operators	100.0	1.89	37.74	43.40	16.98	2.75
Employees	100.0	14.52	50.00	27.42	8.06	2.29
Township and village cadre	100.0	2.00	23.50	49.50	25.00	2.98
Houseworkers	100.0	35.34	43.10	15.52	6.03	1.92
Workers in Education, Science, Medical Care, the Arts	100.0	1.54	8.46	35.38	54.61	3.43
Other	100.0	19.29	39.29	29.29	12.14	2.34

Peasant occupational diversification increases from west to east. Agricultural laborers as a percentage of total manpower is 70.8 percent in the western region, 65.6 percent in the central region, and 57.0 percent in the eastern region. Clearly it is a result of the socio-economic

environment in the different regions, which causes a stratification in the extent of peasant occupational diversification. The macroenvironment in open coastal regions, in particular has an extremely great affect on peasant occupational differentiation. In addition is the

difference in topography, and differences in social environment and natural resources, which, generally speaking, affects peasant occupational diversification. However, it is only in an appropriate socio-economic environment that natural resources conditions can become transformed into real productivity. Peasant occupational differentiation is related to the degree of economic openness, the degree to which the commodity economy has developed, and the degrees to which the nonagricultural economy has developed. Without convenient transportation, and without the present of important things such as money, markets, facilities, technology, and information, which is to say that if the socio-economic environment is not very good, it is difficult to make most of advantages in plentiful natural resources.

(4) Personal Traits Are the Decisive Element in Peasant Occupational Differentiation

In the final analysis, peasant occupational differentiation comes down to peasant personal economic behavior. Ultimately the inherent force of economic development, the powerful impetus of economic policies, and the important influence of the economic environment have to be realized through the peasants. The peasants personal traits play a decisive role in occupational diversification. Take the three major areas of China as an example. In the eastern region, the level of education of rural manpower is higher overall than in the central and western regions. It is lowest in the western region. This is consistent with the progressive decrease east to west in the extent of peasant occupational differentiation (See Table 4). Using the same method to survey the average degree of peasant education in all occupations surveyed, one can see that the peasant that have differentiated into various occupations all have higher educations than agricultural laborers, hired employees and houseworkers who do not engage in production activities excepted. (See Table 5). Those having a higher degree of education update their ideas faster, more readily learn special skills, and have greater ability to adjust to their external environment.

Changes in thinking lead to changes in behavior. Some peasants who have skills and ability have separated from the mass of agricultural laborers to take a road toward riches. This survey shows that most of those who have become rich first today have diversified out of agricultural labor. As to how they were able to get rich first, 56 percent of the peasants feel that they either had a special skill or they had a head for economics and business.

Finance Ministry Adjusts Farm Taxes

94CE0503D Beijing ZHONGGUO SHANGBAO
in Chinese 6 Apr 94 p 1

[Article by Dai Jianfeng (2071 0494 1496) and Zhang Jie (1728 2638): "The Ministry of Finance and State Administration of Taxation Decide To Lower the Value-Added Tax Rate on Farm Products, Temporarily

Exempting Grain, Edible Oil, Pesticides, and Chemical Fertilizer From Value-Added Taxes"]

[Text] The Ministry of Finance [MOF] and the State Administration of Taxation [SAT] decided the other day to lower the value-added tax rate on farm products from 17 percent to 13 percent, temporarily exempting grain, edible oil, pesticides, and chemical fertilizer from value-added taxes before the end of 1995.

MOF and SAT provided in a "Circular on Adjusting Farm-Product Value-Added Tax Rates and Exempting Certain Items from Value-Added Taxes" that the following goods will be exempted from value-added taxes before the end of 1995: 1) Grain and edible vegetable oil sold by state-grain commercial enterprises to the military and by state-grain retail enterprises to urban residents; 2) feed 3) agricultural plastic film; 4) ammonium bicarbonate, common calcium superphosphate, and calcium magnesium phosphate produced and sold by chemical-fertilizer production-enterprises, and urea, phosphamidon, and phosphamidon sulphate produced and sold by small chemical-fertilizer enterprises that have changed from their former production of ammonium bicarbonate, common calcium superphosphate, and calcium magnesium phosphate; 5) Dipterex, DDVP, Rogor, parathion, xinliulin, acephatemet, acetyl acephatemet, hybrid-rice blast, shachongshuang, fenitrothion, marathion, aluminum phosphide, weed-eradication ether, grade-D weed-amine, and Rogor oxide produced and sold by pesticide-production enterprises; 6) wholesale and retail seeds, seedlings, chemical fertilizer, pesticides, and farm machinery.

It is understood that this adjustment was studied and planned based on the State Council's "Summary of Meeting To Study Pertinent Issues Since Tax-Revenue Reform Plans Went Into Effect." Finance and tax bureaus in all areas will begin to enforce these new provisions on 1 May 1994.

Poor Quality Materials Sold to Peasants

94CE0503C Beijing NONGMIN RIBAO in Chinese
26 Apr 94 p 1

[Article by Cui Jinghua (1508 0079 5478): "Results of a First-Quarter Spot-Check by the State Technology Supervision Administration Show That the Quality of Agricultural Materials Is of Concern"]

[Text] The State Technology Supervision Administration announced on 25 April 1994 the results of a state-supervised spot check during the first quarter of 10 categories of agricultural materials and products in 22 provinces (municipalities). The spot check showed that China's current agricultural-production situation is of concern, with a quite severe product-quality problem.

This spot check involved 353 products in 10 categories, such as seeds, pesticides, and farm machinery parts, produced by 216 enterprises, with 157 products being up to standard, for a sampling up-to-standard rate of 44.5

percent. This included up-to-standard rates of 92.6 for long-effective phosphorus agricultural chemicals, 88.95 percent for pesticides (herbicides), such as buta-weed-amine, 81.9 percent for three-wheeled farm-use transportation vehicles, 64.3 percent for upright slush and sewage pumps, 57.7 percent for triazole-ketone pesticide, 56.3 percent for cotton seeds, 42.9 percent for fungus-clearing pesticides, 42.1 percent for rotocultivator curved-blade paddy-field harrows, 35 percent for bromide-cyanogen ammonia-ester milk-oil, and 2.8 percent for corn seeds.

This shows that seed quality was most severe, with only 30 of 156 corn and cotton seed samples from 89 sales units in seven provinces being up to standard, for a sampling up-to-standard rate of 19.2 percent. Of 108 corn-seed samples, 88 hybrid seeds did not have a purity of the (minimum) national standard of grade two, with only three of 20 self-crossed seed samples being up to standard as to purity; 19 of 48 cotton-seed samples did not reach purity criteria. In the two provinces of Shanxi and Henan, not even one of 42 samples from 18 enterprises were up to standard, with the "Nongda 60" seeds from a seed company in the southern suburbs of Taiyuan, Shanxi not meeting standards for all four inspection targets.

Agricultural Ministry on Importance of Planting

94CE0503A Beijing JINGJI RIBAO in Chinese
12 Apr 94 p 1

[Article by Zhang Zichen (1728 1311 5256): "The Ministry of Agriculture Points Out That the Task of Prime Importance To Achieve Higher Grain and Cotton Yields Is To Ensure Planting Areas"]

[Text] What is China's current grain- and cotton-production situation? A recent Ministry of Agriculture [MOA] summary shows that a higher grain yield will be hard to achieve, with recovery of our cotton output being very difficult. MOA notes that to achieve our 1994 targets of stabilizing our grain output and increasing our cotton output, the task of prime importance will be to take steps to ensure their planting areas. The major immediate problems are:

—The planned area sown to grain is likely to be below the warning line. The planned-area figures reported by the farm sector from all areas show that the area sown to grain in 1994 will be 1.64 billion mu, down 11 million mu from the actually-sown area in 1993, and below the 1.65-billion-mu emergency-warning line. This includes a drop of about 10 million mu for the 15 northern provinces, municipalities, and autonomous regions; by variety, the sown area will be down around 7 million mu for wheat, and 13 million mu for early rice in the south. While a recovery-type expansion of 2 million mu is expected, it will be hard to achieve a larger pickup.

—While the area planted to cotton is up, a large gap with plans remains. Since the cotton-purchasing price was

raised, the initiative to cultivate cotton in cotton-growing areas has picked up somewhat. But while the cotton area is up 6 million mu from 1993 to 81 million mu, there is still a clear gap between this area and 1994 plans, making the conflict between production and marketing hard to ease.

Faced with such a grim grain- and cotton-production situation, MOA holds that the current priority is to emphasize the planting of "two large areas."

1. While consolidating our northern grain area, the 1994 grain area and output stability throughout China will be largely dependent on a large part of the burden being borne by southern paddy rice. We need to guide and encourage qualified areas to expand their "two-hybrid" grain areas, actively disseminating a new combination of high-yield, quality, hybrid rice, in an attempt to sharply recover the planting area in 1994 for paddy rice, particularly early rice.

2. We need to fight a "tough battle" to recover our cotton area in the three provinces of Hebei, Shandong, and Henan. The cotton output of these three provinces makes up about one-half of China's. As our national cotton area in 1993 was down 30 million mu from 1992, with 75 percent of the drop being in these three provinces, the implementation of the cotton-planting area in these three provinces in 1994 will be of key importance to our national output. We need to plant well and fully existing bare and leftover spring areas, with qualified areas appropriately increasing their summer cotton, by actively cultivating cotton on wasteland. All areas need to better oversee and manage agricultural capital goods markets, strictly curbing arbitrary price rises, and firmly cracking down on the production and sale of fake and shoddy agricultural capital goods, to safeguard peasant interests and stimulate peasant initiative to plant cotton.

In an attempt to reach state targets for 1994 cotton-area recovery to 90 million mu and gross output of 97 million dan, certain cotton-producing provinces have taken a series of stiff steps. In addition to emphasis by the leadership, their increased fund input and prompt provision of the goods and materials needed for spring planting have played a key role in expanding the area sown to cotton. A recent itemized report by the responsible state sector shows that the following provinces have won initial successes.

Jiangxi Province has completed its 1994 planned task of planting 2.6 million mu, up nearly 700,000 mu from 1993 (and similarly hereinafter); Hubei Province has expanded by 200,000 mu, for an overall area of 7.5 million mu, mainly in two-membrane early cotton; the two provinces of Hebei and Shandong have initially increased their areas by more than 10 percent, with Hebei's plans for a cotton acreage of 8.45 million mu implemented down to prefectures and counties. Liaoning Province has increased its area by 390,000 mu, and Henan's planned acreage is up 600,000 mu.

The pickup in cottonfield acreage in the above provinces was due to the following two practical measures.

1. These provinces increased their fund input in cotton production. For instance, Hebei provided financial allocations of 51 million yuan in support of cotton planting. Meanwhile, the Agricultural Bank and the credit-cooperative system raised 280 million yuan in special loans focused on cotton-planting preparations. The provincial government also decided to set aside 2 million yuan as a cotton-incentive fund; Shandong continued to spend 4 million yuan for high-yield cotton development; the Jiangxi provincial government decided to take 12 million yuan from cotton-incentive funds assigned outside of the province in 1993 to use for cottonfield water conservancy; Shandong's Dezhou region supported 30 priority cotton townships with 100,000 yuan each in revolving funds.

2. They actively organized goods supplies, promptly providing the materials needed for spring cotton planting and the whole year's production. In Jiangxi Province, where more than 5 million kg of cotton seeds were needed, they took steps, such as importing improved varieties, providing adequate seeds, as well as the fertilizer and loans to households needed for cotton planting; certain counties and cities in Hubei have supplied peasants with related items, such as fine seeds, dual film, herbicides, pesticides, and chemical fertilizer; Hebei has supplied 45,000 tons of farm-use diesel oil at parity price in the first quarter, with priority going to cotton planting.

Shanghai Rapeseed Procurement

94CE0551G Beijing NONGMIN RIBAO in Chinese
14 Jun 94 p 1

[Summary] As of 13 June, Shanghai had procured 1,167,000 kilograms of rapeseeds, of which 540,000 kilograms were planned contract orders, fulfilling 15.4 percent of the planned procurement task, and 359,000 kilograms of sanmai [wheat, barley, oats ?] were procured. Shanghai agricultural banks have allocated 330 million yuan for summer procurement. The grain area in Shanghai has declined 175,000 mu from 1993.

Jiangsu Rapeseed Output

94CE0551H Nanjing XINHUA RIBAO in Chinese
28 May 94 p 1

[Summary] Estimated gross output of rapeseeds in Jiangsu Province for 1994 will exceed 900,000 tons, about a 10 percent increase over 1993.

Commentator Article Criticizes Quality of Grain Imports

94CE0503B Shenyang BOHAI SHANGBAO in Chinese
26 Apr 94 p 2

[Commentator article: "The Existing Problems With the Quality of Imported Grain Need Attention"]

[Text] From January 1993 to March 1994, the port of Dalian imported grain from overseas and Hong Kong in three varieties and 3,715 batches, for an overall volume of 1.371486518 tons, of which 2,041 batches were up to standard, involving 1.031657668 tons, or 75 percent, while 674 batches were substandard, involving substandard grain imports of 348,828.85 tons, or 25 percent of the delivered volume. The inspection and appraisal of grain imports by Liaoning's Commercial Inspection Bureau at the port of Dalian show that imported grain is subject mainly to the following quality problems:

1. Substandard product imports make up quite a large percentage. From January 1993 to March 1994, the port of Dalian imported 3,715 batches of grain, for a gross volume of 1.371486518 tons. Through strict and legal inspection by Liaoning's Commercial Inspection Bureau, it was discovered that 674 of these batches were substandard grain imports, involving substandard grain imports of 348,828.85 tons which, calculated by quantity, meant a substandard grain-import rate of 25 percent.

2. Certain batches have even more severe quality problems. For instance, from January 1993 to March 1994, we imported from the U.S. 984 batches of wheat, for a gross volume of 495,120.894 tons, of which Liaoning's Commercial Inspection Bureau found 671 batches to be substandard, for a total substandard volume of 348,016.85 tons, or 70.29 percent of all wheat imported from the United States. Meanwhile, we imported from Mongolia two batches of barley, for a volume totaling 560 tons. Inspection by Liaoning's Commercial Inspection Bureau found that both batches of barley imported from Mongolia were substandard products. The reasons for this were: 1) the germination percentage did not conform to contract provisions; 2) the inner quality was worse than the outward appearance. For both of these substandard grain imports, the Liaoning Commercial Inspection Bureau promptly signed and issued documents stating that they were substandard, turning them over to the concerned parties for foreign damage claims. As to the existing quality problems in grain imports at the port of Dalian, the Liaoning Commercial Inspection Bureau has made the following suggestions:

1. For grain imports, concerned departments must present damage claims as quickly as possible to overseas firms based on the damage-claim documents signed and issued by the commercial inspection sector, retrieving the Chinese side's economic losses as soon as possible, to protect the Chinese side's legitimate rights and interests.

2. All departments in charge of grain imports, when signing contracts with overseas firms for grain imports, must act in line with international practice, by setting forth clearly and in detail grain-import variety, grade, volume (weight), quality, packaging, and inspection damage-claim terms. The terms must be set forth clearly and in detail, with no ambiguity, and inspection terms having clear inspection grounds, as well as reasonable damage-claim validity periods and quality guarantees.

3. All grain-import consignment and user units, when receiving overseas grain imports from now on, must take the initiative to promptly submit them for inspection to commercial-inspection organs at the stipulated times and sites, being allowed to sell and use them only after the commercial-inspection sector has inspected and signed and issued documents certifying that they are up to standard. If they are sold or used without being inspected by the commodity-inspection sector, when quality problems are discovered, and the claim-damage periods have expired, there is no way to claim damages from foreign firms, which is bound to create unnecessary economic losses for the consignment and user units, as well as for the broad masses of consumers.

These suggestions by the Liaoning Commodity-Inspection Bureau should be brought to the attention of all concerned parties which, just like the business commodity-inspection sector, should combine management with inspection to do a strict job of guaranteeing grain-import quality.

Analysis of Farmer Income in Year 2000

94CE0460A Beijing NONGYE JINGJI WENTI
[PROBLEMS OF AGRICULTURAL ECONOMY]
in Chinese No 3, 23 Mar 94 pp 2-9

[Article by Jin Wencheng (6855 2429 2052), Rural Economy Department, State Planning Commission: "Analysis of the Attainment of a Chinese Peasant Net Per Capita Income of 1,200 Yuan in 2000"]

[Text] Development economics maintains that growth is the prerequisite and foundation for development. This has been attested to in the practice of economic and social development in every country of the world. A comparatively well-off standard of living is a new development stage that the Chinese people face now that the subsistence problem has been solved. It is also the ideal and the goal of the broad masses of people for improvement of their livelihood by 2000. Rural villages hold the key to the whole country's attainment of a comparatively well-off standard of living; and rise in peasant income is the key to rural villages attainment of a comparatively well-off standard of living. What is the minimum peasant income that must be attained for rural villages to have a comparatively well-off standard of living? Put another way, what is the base line for a comparatively well-off rural standard of living? This article seeks to make a preliminary analysis of the correlation between increase in peasant income and a comparatively well-off peasant standard of living, and to specify how to set a rural comparatively well-off line.

Preliminary Assessment of Peasant Income Situation

(1) **Substantial Increase in Peasant Real Income.** Within the short space of little more than a decade, peasant net per capita income has continuously increased first from 200 to 400, and then to 600 yuan. Income growth, which formerly derived primarily from farming, now comes

from a combination of farming, livestock breeding and aquaculture, and from the all-around development of farming, industry, and business.

Changes in production methods have spurred the development of agriculture. Outputs of principal farm products have increased. Not only do they satisfy the production and livelihood needs of the broad masses of peasants, but large surpluses greatly accelerate the commercialization of agriculture. At the same time, the broad masses of peasants have been freed from the shackles of traditional agriculture in active response to the new development of rural commodity markets. While producing grain and cotton according to national plan, they strive to open new production avenues and ways to increase income through the development of economic diversification. In 1978, peasant net per capita income was only 134 yuan; by 1980, it increased to nearly 200 yuan. This increase in peasant per capita income within two years was equal to the net increase in peasant per capita income for the entire 24 year period from 1954 to 1978. The increase from 200 to 400 yuan took only five years (1980-1985), and the increase from 400 to 600 yuan took four years (1985-1989). In 1990, peasant net per capita income reached 686 yuan for a 2.6 fold increase over 1980. After deducting for price increases, this was an average annual 6.3 percent increase. The entire 1980s was the decade of fastest rural economic development, and it was also the decade in which peasant net per capita income increased fastest, and in which peasant living conditions improved most.

Rural economic development changed the sources of income growth. In 1978, prior to rural reform, rural society's production activities were largely under leadership of people's communes and consisted primarily of the growing of staple farm crops such as grain and cotton. Rural commodity production and commodity business had no place; the peasants engaged solely in agricultural production; their net per capita income derived almost entirely from agricultural production; and the income from agricultural production derived, in turn, from the rural collectives' equal distribution. In 1978, when peasant net per capita income was 134 yuan, more than 80 percent of it came from agricultural production. Operating system reforms centering around the output-related contract responsibility system, and a series of reform policies that the state adopted in order to spur rural commodity production and commodity exchange greatly aroused the interest of the broad masses of peasants in rural commodity production and circulation. With the fairly rapid growth in gross output of farm products, rural secondary and tertiary industries also began to boom, and sources of peasant income also diversified. Now, income came not only from unified collective farming but also from family farming that the peasants did themselves. It came not only from farming, but also from secondary and tertiary industries for a change of pattern in which agricultural production and non-agricultural production were equally important. Comparison of the late 1980's with the late 1970's

showed that income from uniform collective farming as a percentage of peasant net per capita income had declined from 60 to about 9 percent, and income from peasant household activities had increased from 30 to 83 percent. Income derived from agriculture fell from 81 to 63 percent; and income from other than agriculture rose from 8 to 28 percent. The portion of peasant net per capita income increase derived from other than agriculture increased markedly, rising 23 percentage points. Meanwhile, during the same period, the portion of income derived from agricultural production declined 17 percentage points.

(2) Marked Widening of the Peasant Income Distribution Gap Encouraging some people to become rich first is an important policy that both the party and government have consistently advocated during the new era. This policy has played a tremendous role in encouraging "capable people" in rural villages to come forward, which had advanced development of the rural commodity economy. Accompanying economic growth has been a marked trend toward differentiation among individual peasants, peasant families, and the economy of different regions. The economic gap between one person and another, between one peasant family and another, and between one region and another has been readjusted, resources being reallocated. While adhering to unflinching implementation of plans and policies for "some people becoming rich first," one must also realize that a widening trend exists in the rural peasant income gap.

1. Widening of the income gap among different peasants. The Gini coefficient is commonly used internationally as an indicator for judging the degree of income equilibrium. The Gini coefficient's numerical value lies between 0 and 1. A numerical value of 0 means absolute balance; a numerical value of 1 means absolute imbalance. The greater the numerical value the greater the imbalance in income. State Statistical Bureau research data show that in China's rural villages, the Gini coefficient may be divided into four areas: "Below 0.2 shows high balance; 0.2-0.3 shows relative balance; 0.3-0.4 shows countable distribution; and above 0.4 shows a fairly large gap." In 1980, the Gini coefficient for peasant income was 0.24; in 1985, it was 0.26; and in 1990, it rose further to 0.31. The entire 1980s was a period in which peasant income was relatively equal and developing toward rational distribution. The income gap among different peasants has changed from the former not very great difference toward marked difference. For the broad masses of peasants who have "shared poverty and wealth," and egalitarianly "eaten out of a large common pot" for so long, facing up to the present reality is rather painful. Furthermore, since an overwhelming majority of those peasants who have become rich first did so not by just growing grain and cotton, or by developing agricultural production but by developing industrial sideline occupations, by engaging in commodity circulation, or by going off to work elsewhere, this has somewhat intensified the disgruntlement of

grain and cotton growing peasants. In 1990, peasant household income for the country as a whole exhibited an "inverted U" pattern. Needy households having a net per capita income of less than 300 yuan numbered 8.59 percent; households having a net per capita income of between 300 and 1,000 yuan numbered approximately 73.63 percent; and high income households having a net per capita income of more than 1,000 yuan numbered 17.78 percent.

2. Regional differences exhibited a widening trend. Natural, historical, and geographic factors produced an eastern, central, and western zone pattern of rural economic development. As the gap in the overall economic development of the three zones widened during the 1980s, regional differences in peasant net per capita income showed a widening trend. In 1980, the peasant net per capita income ratio of the eastern, central, and western economic zones was 1.39:1.11:1 (taking the western zone as 1). In 1985, it was 1.54:1.21:1; and in 1991, it widened further to 1.71:1.06:1.

In terms of income category, widening of the difference between the highest income provinces and the lowest income provinces was even more marked. In 1980, the ratio of the highest income to the lowest income was 2.79:1. By 1990, it widened to 4.71:1. Simultaneous with the widening of the income gap between one region and another, even within the same region differences in income also exhibited a widening trend attributable to differences in the geographical environment, differences in the level of organization and management, and differences in technology and human resources. Even in the relatively developed eastern region, as the pace of economic development quickened, a "relative hardship situation in economic development" occurred in some areas. In the central and western regions, such hardship situations might be considered comparatively well-off or rich. According to data from Zhejiang Province, Yinxian County in Ningbo, which ranked nineteenth among the 100 strongest counties in the country, the gross industrial output value of some towns such as Wuxiang, Jiangshan, and Gulin reached 500 million yuan, and even as much as 1 billion yuan, yet the output value of some other towns was less than 100 million yuan. Net per capita income there was as high as more than 2,000 yuan, and as low as only 600 yuan. Among villages, differences were even greater. The gross output value of industry and agriculture in villages that had developed rapidly was more than 100 million. In slowly developing villages, it was less than 100 million, and some places were insolvent. The regional economic returns gap became the force behind the shift of surplus rural manpower out of these areas. The greater the gap became, the stronger the impetus for rural manpower to flow into developed areas. Inevitably this produced transportation and employment strains, which increased developed areas' development pressures, and sapped undeveloped areas' development vitality.

3. Steady Widening of the Gap Between Cities and the Countryside. In order to hasten industrialization, ever

since the founding of the people's republic the government has pursued a "price scissors" policy in agriculture and rural villages, which has widened the differences between city and countryside. Prior to 1980, the government instituted a low wages system for city staff members and workers, and practiced an egalitarian "work points system" form of distribution in rural villages, so the difference between city and rural wages was not great, nor were the historical differences between city and countryside much improved. During the early 1980s, city and town residents' income was about 1.8 times peasant income. Rural reform and decontrol, and rural economic development further narrowed the difference between city and countryside. Between 1980 and 1984, city and town residents' income increased 6.2 percent each year while peasant earnings increased by an annual 16.7 percent, thereby narrowing the gap between cities and the countryside by 5.6 percent. City and town residents' income was 1.7 times peasant income. However, after 1985, the ratio between city and countryside residents' income changed, city and town residents' income continuing to increase faster than peasant income. In 1985, city and town residents' income grew 1.6 percentage points faster than peasant income, but in 1986 it increased 14.9 percentage points, and by 1990, the gap between city and countryside income widened from the 1.8:1 of 1982 to 2.2:1. The income gap was just one evidence of the gap between city and countryside. An even greater difference existed between city and countryside social welfare and social security. Peasant advances in education, medical care, housing, and employment derived mostly from the peasants themselves and the rural collective economy, but in cities, they came largely from state financial support. For the broad masses of peasants who had only just extricated themselves from poverty and achieved a subsistence standard of living, fine education and medical care could only be dreams.

(3) Overall Peasant Income Level Still Fairly Low Proper assessment of the peasants' income situation is a prerequisite and the foundation for a correct evaluation of the rural economic situation leading to formulation of rural economic policy. Since the advent of reform and opening to the outside world, peasant income has risen substantially, the standard of living has improved markedly, and a large number of "upper income people" have appeared. The number of peasant households having an annual net per capita income of more than 2,000 yuan went from zero in the early 1980s to around 4.7 million, or about 22.5 million people. The appearance of rural "upper income people" generated a misconception in society. Seemingly, all the peasants had become wealthy. Actually, these "upper income people" accounted for only 2.11 percent of all peasant households, or about 2.51 percent of the rural population nationwide. They were an extremely small minority in rural villages. Overall, peasant households making a net per capita income of between 300 and 1,000 yuan per year were the largest percentage. Peasant net per capita income differs from city and town residents' income. It has its own

distinctive character. First, peasant income is seasonal. Most of peasant net per capita income comes from agricultural production, and the seasonality of agricultural production means that peasants' income is seasonal. However, city and town residents' income is mostly wage and salary income obtained monthly. Second, some peasant income is spent for productive purposes. The income that peasants obtain not only has to be used for their own consumption, but also for family-run reproduction activities. By contrast, city and town residents' income is used largely for consumption and savings. In addition, the payments they make for housing and medical care as part of consumption are affected by the national welfare system. For the same level of support they pay less than the peasants pay. Therefore, in judging the amount of peasant income, one must pay attention mostly to the amount of income remaining after the peasants take care of their subsistence needs.

Survey data verify that after deducting peasant consumer spending, the peasants have only enough income left to maintain simple reproduction. Therefore, the overall peasant income level remains fairly low. Actually, in 1990, peasant per capita living expenses were 585 yuan, 13 yuan lower than their theoretical expenditures. One sensible explanation for this is that in order to sustain and develop agricultural reproduction, the peasants cut back on immediate consumption to increase investment in production and savings.

2. Increased Income Is the Key to a Rural Comparatively Well-Off Standard of Living

The journey from a subsistence to a comparatively well-off standard of living is a historical development process. During this historical advance, as the people's standard of living rises, consumer ideas and consumer demand changes correspondingly. Once subsistence problems have been solved, peasant income is elevated to the main position in the weighing of rural economic development objectives.

(1) Increasing the agricultural work force's returns is the main line in development of the rural economy during the 1990s. If one says that increasing outputs of main agricultural products was the main line in development of the rural economy prior to the 1980s, then the main line in development of the rural economy during the 1990s is increasing the returns of workers in all rural trades and industries. 1) This stems from the way in which agriculture develops during the new era. The efforts made during the 1980s largely solved the subsistence problems of the people in rural villages and throughout the country as a whole. Not only do outputs of the main agricultural products satisfy the needs of the people of the whole country, but a certain amount of surplus has appeared. People's consumption patterns have also changed qualitatively, so the main emphasis in agriculture has shifted from quantity to quality. Changes in the development of agriculture mean that agriculture must follow a course in which its survival depends on the

returns it provides, and its development depends on the quality it provides. During the 1990s, economic returns will become the most direct motivation for the broad masses of peasants to work in agriculture. 2) The rural socialist market economy system makes this so. During the 1980s, enormous successes were scored in development of the rural economy. These provided the basic framework for the rural socialist market economy system. The rural reform that began during the end of the 1970s enabled the broad masses of peasants to take the lead in becoming urban workers. They gained the right to select their own employment, becoming relatively free professionals. Because of the too large a number of peasants engaged in agriculture, large numbers "went south," "went north," or "headed west" where they engaged in non-agricultural activities, thereby forming a large nationwide rural manpower market. This lay a foundation for founding of the rural market economy system. A fundamental reason for the substantial development of the rural commodity economy during the 1980s was the state's planned decontrol of agricultural product markets, gradually reducing and eliminating fixed national prices for some agricultural products. The state eliminated the centralized procurement and assignment procurement system, replacing it with state fixed procurement and free buying and selling in markets. By 1990, except for some grain and cotton prices that the state continued to set, the market mechanism determined an overwhelming majority of agricultural product prices. The prosperity and development of rural markets spurred an increase in the degree to which rural villages became commodity economies and money economies. By 1990, the commodity rate for agricultural and sideline products reached 62.9 percent, up 8.5 percentage points from 1980. Peasant cash receipts and expenditures also rose from 53.5 percent in 1980 to 76 percent in 1989, a 22.5 percentage point increase. Money became the main medium through which the peasants sustained and developed production and their livelihood, and commodity production became the most direct goal of peasant production. (3) Necessity for consolidating the worker-peasant alliance. The peasants' interests have always been the main factor in rural and social development whether during land reform or in the rural reforms of the 1980s. "Adjustment and protection of the peasants' interests are implicit motivations in rural reform and the development of agricultural productivity." Adjustment and protection of the peasants' interests, and narrowing the differences between city and countryside are the foundation for consolidation of the worker-peasant alliance, and they are also objective requirements for building a distinctively Chinese brand of socialism. Without rural development, development of the urban economy, and even the entire national economy, is unimaginable. Unless the peasants, who account for 80 percent of the country's total population, achieve a comparatively well-off standard of living, the people of the whole country cannot achieve a comparatively well-off standard of living. Unless the far-flung rural villages attain a comparatively well-off standard of living, a comparatively well-off standard of living in

cities is difficult to imagine. Widening of the gap between city and countryside is a most direct and most glaring indication of the widening of the gap between city and countryside residents' income. Not only does this affect the stability of rural society, but also will have a serious impact on urban life. The uneven development manifested in the decline of rural villages and the one-sided prosperity of cities that has occurred in the industrialization process in developed capitalist countries, which has not only restricted further development of the national economy but also has given rise to serious social problems should be heeded.

(2) **The key indicator of a comparatively well-off standard of living is peasant net per capita income.** A comparatively well-off standard of living is a new stage of development that the Chinese people face following complete solution to their subsistence problem. It is a development phase that must be gone through on the way from subsistence to wealth. It is an objective necessity for realizing the second strategic objective of national economic and social development during the 1990s. The goal of attaining a comparatively well-off standard of living is a comprehensive socio-economic development goal that includes the economy, the society, and the environment. Peasant net per capita income is an important indicator listed in the rural comparatively well-off standard of living indicator system that all jurisdictions and departments concerned have put forward. Its weighting ranks it first among all indicators. Increase in peasant income is a prerequisite and the foundation for rural attainment of a comparatively well-off standard of living. Increase in peasant income lays a solid material foundation for a rise in peasant productive capacity and consumer purchasing power. It also gives impetus to early realization of other indicators of a comfortably well-off standard of living. Nevertheless, peasant income increase is only a requirement for realization of a comparatively well-off standard of living. Economic growth does not always bring an increase in social welfare and social progress, and economic growth frequently occasions economic phenomena such as environmental pollution and relative poverty. It may also occasion a loss of social precepts and ethics.

A Peasant Net Per Capita Income of 1,200 Yuan Is a Basic Requirement for Rural Attainment of a Comparatively Well-Off Standard of Living

Proposal of a Rural Comparatively Well-Off Line. The idea of a rural comparatively well-off line means that peasant net per capita income has reached the minimum limit for being comparatively well-off. This is to say that peasant net per capita income must at least reach a certain standard value in order to realize a comparatively well-off rural standard of living.

1. The national rural comparatively well-off line is 1,200 yuan per capita. Currently, society has two opinions about a comparatively well-off rural standard of living. One is represented primarily by the State Statistical

Bureau, which holds that in 2000 the rural comparatively well-off line will be 1,100 yuan, figured at 1990 prices. This is 414 yuan more than the 686 yuan of 1990, an annual 4.8 percent increase. The other is represented primarily by the State Planning Commission, which maintains that the rural comparatively well-off line in 2000 will be 1,200 yuan figured at 1990 prices. This is 514 yuan more than in 1990 for an annual 5.8 percent increase. We feel that 1,200 yuan as a rural comparatively well-off line is about right. 1) A look at requirements for a rural comparatively well-off standard of living suggests that the rural Engels' coefficient will have to fall below 50 percent for rural villages to attain a comparatively well-off standard of living. For peasant per capita consumption expenditures to reach about 1,000 yuan, peasant net per capita income will have to reach at least 1,200 yuan. 2) A look at possibilities for rural economic development suggests that the main sources of increase in peasant income will be agricultural production and the development of rural township and town enterprises. According to an analysis of data for the 12 year period 1979-1990, increase in peasant net per capita income was very much related to the gross output value of agriculture and the number of people employed in township and town enterprises. Is agricultural production and the development of township and town enterprises up to the heavy task of bringing the rural comparatively well-off line up to 1,200 yuan? The answer is affirmative. In view of the requirements of the 10-year plan for rural economic development and of the Eighth Five-Year Plan, by 2000, the gross output value of agriculture will increase more than 4 percent each year. The gross output value of township and town enterprises will increase 11 percent, soaking up 47.45 million rural laborers in 10 years and bringing the number employed in such enterprises to 140 million in a 51.1 percent increase over 1990, a 4.2 percent annual rate of increase. Without taking price factors into account, the gross output value of agriculture will increase 4 percent each year; thus, peasant net per capita income will increase 3.12 percent each year, i.e., a cumulative 37.4 percent in 10 years. A 4.2 percent annual increase in the number of people employed in township and town enterprises will mean a 0.77 percent annual increase in peasant net per capita income, i.e., a cumulative 7.96 percent in 10 years. All in all, at the planned speed of increase, by 2000 peasant net per capita income will increase 45.4 percent to 997 yuan through the development of agricultural production and expansion of employment in other than agriculture. This is 83.1 percent of the rural comparatively well-off line, somewhat more than 200 yuan short of the requirement for a rural comparatively well-off standard of living. Moreover, the gap can be narrowed only by accelerating the pace of economic development. For the people of the whole country and the broad masses of peasants to attain a comparatively well-off standard of living by the end of the present century, the speed of rural economic development will have to be increased. The development speed that the "10 Year Plan and the Eight Five-Year Plan propose will have to be amended. Following the high speed development of

the 1980s, agricultural production gradually entered a mature stage during which economic growth was flat and in which maintenance of 4 percent growth was about right. Following three years of improving the economic environment and rectifying the economic order between 1989 and 1991, the speed of development picked up somewhat. Under the policy of accelerating development, development speed should have been somewhat faster, and manpower should have been absorbed faster too. Preliminary calculations show that at an annual 25 percent increase in the value of township and town enterprises (i.e., 14 percentage points higher than the 11 percent of the original plan), the township and town enterprise annual rate of employment increase should reach 9.55 percent, boosting the peasant annual net per capita income rate of increase by 1.75 percentage points. When increased income from the development of agriculture is added in, the peasant net per capita income rate of increase rises 4.87 percentage points, i.e., a 10 year cumulative 60.9 percent increase, peasant net per capita income reaching more than 1,100 yuan. The income that laborers obtain through direct production activities comes to 91.7 percent of the rural comparatively well-off line. The remaining approximately 9 percent can be obtained through other nonproduction activities. (3) The trend of historical development shows that after deducting for price increases, agricultural production increased 6.3 percent during the 1980s, a speed higher than necessary to reach the rural comparatively well-off line. Township and town enterprise growth reached 30.5 percent, including the relatively slow 25 percent speed of growth during the Seventh Five-Year Plan period. This was also higher than or equal to the speed of growth required to reach the rural comparatively well-off line. An increase in peasant net per capita income from 686 yuan in 1990 to 1,200 yuan in 2000, a 5.8 percent annual increase but still lower than the 6.3 percent growth of the 1980s, is realizable with effort.

2. The comparatively well-off line in high income areas is 1,500 yuan. For middle income areas, it is 1,200 yuan, and for low income areas it is 1,000 yuan. The area divisions used in this article are based on China's actual rural development. The division is based on the peasant mean net per capita income data for each province for 1990 and 1991. The two year mean, which eliminates annual peculiarities, increases the credibility of the regional division.

The whole country is divided into three categories. In the first, peasant net per capita income ranges between 800 and 2,000 yuan. This applies to eight provinces (or municipalities), including Shanghai, Beijing, Zhejiang, Tianjin, Guangdong, Jiangsu, Liaoning, and Fujian (ranked by income from high to low, and the same applies hereinafter). In these eight provinces (or municipalities), the peasant mean net per capita income is 1,162 yuan, which is close to the national average rural comparatively well-off line. These three areas are concentrated in three large cities and developed coastal areas. In the second category, peasant net per capita

income is between 600 and 800 yuan. This applies to 12 provinces (or autonomous regions), including Jilin, Heilongjiang, Shandong, Hainan, Xinjiang, Jiangxi, Tibet, Hunan, Hubei, Guangxi, Hebei, and Inner Mongolia. In these 12 provinces or autonomous regions, the peasant mean net per capita income is 687 yuan, which is equal to the peasant net per capita income nationwide in 1990. An overwhelming majority of these provinces (or autonomous regions) are principal grain and cotton growing areas. They are representative of agricultural provinces nationwide. In the third category, peasant net per capita income runs between 400 and 600 yuan. This applies to 10 provinces or autonomous regions including Shanxi, Ningxia, Sichuan, Qinghai, Yunnan, Shaanxi, Anhui, Guizhou, and Gansu. The peasant mean net per capita income for these 10 provinces or autonomous regions is 531 yuan. Most of these areas are concentrated in large agricultural provinces throughout the country, and in poorly developed areas of western and south-western China. This includes Guizhou and Gansu province in which peasant net per capita income has not yet reached 500 yuan. At 450 and 439 yuan respectively, this is the lowest level in the country.

One cannot directly determine the separate area rural comparatively well-off line by using the peasant mean net per capita income. An evaluation of purchasing power is also needed to eliminate the effect of area price differences. A so-called purchasing power evaluation means readjusting the income of different areas by using a standard purchasing power to make incomes more comparable. The income of the second category regions, which corresponds to the national average may serve as the standard purchasing power.

Rural monetary purchasing power and the rural retail price index show a reciprocal correlation. As the price index rises, purchasing power declines; as the price index declines, purchasing power rises. In order to eliminate the effect of prices insofar as possible when evaluating purchasing power, selection of 1978 as the base year for the rural price index is rather appropriate inasmuch as rural reform began in 1978. Prior to 1978 (including 1978) China practiced a low wage, low price, and limited rural commodity economy development policy whereby the rural price level differed greatly from place to place throughout the country. The rural reforms of 1978 consisted primarily of an increase in farm product prices. The reforms had relatively little effect on the rural retail price index for that year. Calculations yield a purchasing power for category 1 areas that is 91.76 percent of standard purchasing power. Peasant net per capita income after adjusting prices is 1,065 yuan. In order to reach the national rural comparatively well-off line in 2000, at the peasant net per capita income increase, the rural comparatively well-off line will be 1,579 yuan, which is rounded down to 1,500 yuan. The category 2 areas are at the national mean where the rural comparatively well-off line is 1,200 yuan. In category 3 areas, where purchasing power is 103.32 percent of standard purchasing power, peasant net per capita

income after adjusting prices is 548 yuan. Using as a standard the peasant net per capita income increase needed to reach the national rural comparatively well-off line, the rural comparatively well-off line for this category is 1,062 yuan, which has been rounded down to 1,000 yuan.

(2) Favorable Conditions for Reaching the Rural Comparatively Well-Off Line. Attainment of the rural comparatively well-off line requires maintenance of an annual 5.8 percent increase in peasant net per capita income, which corresponds to the 1992 increase. Nationwide, three favorable conditions exist for attainment of the rural comparatively well-off line:

1. The rural economy will maintain steady increase; potential exists for further development. This is the basic underpinning for peasant income increase. The gross output value of agriculture will maintain a 5 percent growth rate during the first three years of the 1990s (1990-1992) at comparable prices. For the next eight years, increase in the gross output value of agriculture will not be less than 4 percent. The reasons are as follows: 1) As the basic industry in the national economy, agriculture will receive close attention from the party and government for a long time to come, and support will be provided in many ways, such as through legislation and administration, to develop agricultural production and to readjust and protect the peasants' interests, which will promote steady development of agricultural production. 2) Agricultural production holds tremendous potential. Two-thirds of the country's cultivated land consists of medium and low yield fields. Reserve resources also exist in the form of large amounts of barren mountains, unexploited water surfaces, and undeveloped flats. With full development for agriculture, they provide substantial potential for increased yields and increased income. 3) The structure of agriculture is facing readjustments. Use of science and technology to invigorate agriculture, development of high yield, premium quality, and high return agriculture, and increasing the added value of agricultural products have become the common cause of the broad masses of peasants.

2. Smooth reform of the farm products circulation mechanism will give impetus to the formation of a second upsurge in agricultural production. The government's gradual decontrol of procurement and marketing controls on main farm products such as grain and cotton, and guidance given the broad masses of peasants to enter the marketplace have accelerated the general adoption of market principles in rural areas. This will generate extremely great interest and impetus among the broad masses of peasants to develop commodity production and take part in market competition. It will bring about early completion of the task of readjusting the structure of agricultural production, thereby increasing peasant income. In addition, the grain reserve system and the wholesale market mechanism that the government has set up create a fine macroeconomic climate for the development of agriculture that will enable smooth reform and development of agriculture.

3. Accelerated development of township and town enterprises, and speedy urbanization of rural villages have given powerful impetus to a shift in surplus rural manpower, thereby promoting a tremendous rise in peasant income. The urbanization of rural villages and the development of rural tertiary industries provide new employment opportunities for the transfer out of agriculture of rural surplus manpower. In 1992, the gross output value of township and town enterprises reached 1.7643 trillion yuan, or one third of gross social output value. The annual rate of increase was more than 30 percent. Development of the rural economy has accelerated the movement of enterprises and funds to key cities and towns, and transportation centers. The development of rural small cities and towns has become the main vehicle for future enterprise concentration and the shift out of agriculture of rural surplus labor. It also enables rural tertiary industries to abandon scattered operations in favor of more centralized operations that offer the economies of scale. It may be safely predicted that rural manpower will move into non-agricultural industries on a larger scale and concentrate in small rural cities and towns.

3) Analysis of Difficulties in Reaching the Rural Comparatively Well-Off Line. Peasant income increases slowly, thereby adding to pressures for reaching the rural comparatively well-off line. The past five years of rural reform have seen the fastest increase in peasant income, which has grown at an average 15.1 percent per year. Between 1985 and 1988, it declined 4 percent, and for three years beginning in 1989 peasant income remained in limbo. Despite 1989's all-time high grain output, after deducting for price rises, peasant net per capita income was 1.8 percent less than for the previous year. This was the first year of negative growth since the advent of reform and opening to the outside world. In 1990, peasant income increased only 1.8 percent over the previous year. In 1991, it increased 2 percent over the previous year. From 1989 to 1991, it increased only an average 0.7 percent. Only nine years remain between now and the end of the present century. If peasant income increases at 2 percent per year, by 2000, only half the rural comparatively well-off line can be completed. Attainment of the rural comparatively well-off line of 1,200 yuan by 2000 will require a 6.2 percent increase in peasant per capita income, which is 0.1 percentage points more than the originally prescribed 0.1, and 0.4 percentage points higher than the actual 1991 increase. Second, the shift out of agriculture of rural surplus manpower is crucial to peasant income increase, and it is also the key to realizing a comparatively well-off rural standard of living. Today, approximately 100 million of China's 430 million work force are in a state of "hidden unemployment" in agricultural production. In addition is the 100 million rural labor force that will be added over the coming decade, so that by the end of the present century surplus rural manpower will increase to 200 million. Attainment of the comparatively well-off line in rural villages requires an annual shift of more than 13 million members of the rural work force into other lines

of work. This means a shift of 130 million over the next 10 years, thereby increasing the number of people employed in township and town enterprises to more than 220 million. Such a large scale transfer is unprecedented since founding of the people's Republic. During the 1980s, for the first time large numbers of the rural work force entered nonagricultural industries, which grew on a fairly large scale at fairly high speed, an average of 6.3 million members of the work force entering them each year. Transferring surplus rural manpower during the 1990s at twice the 1980s scale and speed will pose substantial difficulties. Third, the peasants' burdens are fairly heavy, thereby adding to the difficulty in realizing a comparatively well-off rural standard of living. The increase in peasants' burdens is essentially an erosion of peasant's income, which has the effect of seriously sapping peasant's ability to improve and develop production. Peasant household survey data show that between 1985 and 1990, peasants' burdens nationwide (including only state taxation and collective withholdings) rose from 18.40 yuan to 38.20 yuan per capita in a 1.1 fold increase, or at an annual 15.7 percent. During 1989 and 1990, in particular, the per capita rate of increase in burdens exceeded the per capita net income rate of increase, the increase being respectively 15.5 and 12.3 percent higher than peasant per capita net income. Even more serious is the excessive increase in unreasonable rural fund raising and assessments, which exceed the nationally prescribed 5 percent. Peasant income increases with no increase in benefits.

4. Various Policy Ideas for Increasing Peasant Income

(1) Updating Thinking, Making Readjustment and Protection of Peasants Interests the Main Line in the Development of Agriculture and the Rural Economy During the 1990s. The establishment and development of a socialist rural market economy system puts an interests mechanism at the heart of rural economic development. Protection and readjustment of peasants interests for a narrowing of the gap between cities and the countryside is a basic requirement for the building of a distinctively Chinese brand of socialism. The inauguration and implementation of reform measures including readjustment of the agricultural production structure, developing high yield, premium, and high return agriculture, reforming the agricultural product procurement and marketing system, improving the socialist market economy mechanism, etc. as the market requires cannot be done successfully without the active participation of the broad masses of peasants. Unless the peasants' interests are protected, not only will the peasant's income level and standard of living be adversely affected but, more importantly, peasant interest in developing production and taking part in reform will be impaired. Thus, this is not an economic issue but a political one. Therefore, during the 1990s, the emphasis of rural economic development and rural work has to shift from product output to the protection and readjustment of peasants' interests. It must change to increasing the income of rural laborers.

(2) Maintaining the Continuity of Existing Policies To Consolidate the Agricultural Foundation Provides the Most Basic Underpinnings for Steady Increase in Peasant Income.

Agriculture is the foundation of the national economy. Greater government protection and intervention in this foundation is extremely necessary during the new situation in developing a socialist market economy. On the one hand, a good job must be done in carrying out all policy measures. Actions must be taken in accordance with the provisions of "Agricultural Law of the People's Republic of China," the decisions of the Fourteenth Party Congress' decisions on the development of a socialist market economy, and the spirit of the Central Committee of the Rural Work Committee, using "Program for the Development of Chinese Agriculture During the 1990's" as a blueprint for maintaining continuity in rural economic policies, for giving substance to all policies and measures, for paying sincere and wholehearted attention to agriculture, for removing peasant apprehensions, for protecting and increase peasant interest in developing agricultural production and the rural economy, for wholeheartedly developing agricultural production and the rural economy, for increasing peasant income, and for creating a relaxed policy environment for realization of a comparatively well-off rural standard of living. On the other hand, governments at all levels must be encouraged to improve the agricultural infrastructure, to increase investment, to improve agricultural production conditions, to improve ability to prevent and withstand disasters, and to increase reserve strength for development.

Readjustment of the Agricultural Production Structure for the Development of High Yield, Premium Quality, High Return Agriculture Is an Important Way To Increase Peasant Income.

Development of agriculture by emphasizing returns is the outstanding feature of agriculture during the 1990s. The State Council's "Decisions on Accelerating the Development of High Yield, Premium Quality, and High Return Agriculture" provides policy support for the development of "Three Highs" agriculture. The key problems existing today as the peasants orient toward the market, readjust the production structure, and develop "three highs" agriculture is the general existence of new ways to increase income, and worries about market risks. In the process of developing the market economy, government has not stood idly by but rather has done what needs to be done. Even in developed capitalist countries, government regulation and control of agricultural production, and protection of the interests of farmers is fairly complete. The government must become the leader and the protector in the peasant's development of a socialist market economy so that the rural market economy changes gears smoothly. Right now, it must pay close attention to model pilot projects in "three highs" agriculture, exploring new avenues for development of the four combinations, namely farming, breeding, and processing; agriculture, industry, and commerce; domestic and foreign trade; and agriculture,

science, and education, readjusting the agriculture production structure, and increasing peasant income.

Accelerating the Development of Township and Town Enterprises, and Accelerating Transfers Out of Agriculture of Surplus Rural Manpower Is the Key To Increasing Peasant Income. The success or failure of rural economic development plans depends on whether more than 200 million surplus rural workers can be transferred out of agriculture. Whether the goal of a comparatively well-off rural standard of living can be smoothly attained also hinges on this. The development of township and town enterprises, and the widening of rural employment avenues are necessary for an increase in peasant income. First, the enterprise equity rights system must be improved. Establishment of a township and town enterprise microeconomic operating basis that is consistent with the modern enterprise system requires step-by-step, planned development of township and town enterprise equity rights registration work to clarify the enterprise equity rights situation. Experiences in the reform of the joint-stock system and the cooperative shares system, which is already underway, must be summarized promptly, and better guidance provided for gradual standardization of the systems. Second is faster development of township and town enterprises in central and western China. Special funds for the development of township and town enterprises must be managed well and used well as State Council "Decisions on Accelerating Development of Central and Western Township and Town Enterprises" requires, to raise the level of development of township and town enterprises in those areas. Third is the need to do a good job of building small rural cities and towns to hasten the urbanization of rural villages. National government agencies concerned must draw up rural small city and town development plans, making the building of small cities and towns the center of current economic and cultural activity. Fourth is the need to speed up the development of rural tertiary industries. This is a major way in which to soak up surplus rural labor. Fifth is putting scientific and technical progress to use in increasing the competitiveness of township and town enterprises.

(5) Improvement of the Rural Products Circulation System, Establishing an Agricultural Protection Mechanism Is an Important Support for Increasing Peasant Income. First is the need to speed up the growth of the rural commodity circulation system. Supply and marketing cooperatives are the basic rural commodity circulation organizations. They are the main channels for the circulation of agricultural products. The supply and marketing system reforms of the past several years have begun to show results. While continuing the role of rural supply and marketing cooperatives, people in all walks of life and individual peasants must be encouraged to set up rural commodity circulation organizations in order to convert product strengths into commodity strengths that spur the development of rural commodity production. Second is further perfection of the basic infrastructure for commodity circulation including national reserves

and wholesale markets to provide strong support for development of the rural market economy. The building of agricultural products wholesale markets must become the focus in fostering and improving agricultural product markets during the 1990s, energies concentrated on doing a good job of it. While summarizing experiences and perfecting the present wholesale markets, a "Wholesale Market Law" should be drawn up with all possible speed to establish wholesale markets as leaders in the business realm, particularly for fresh foods, using legal means to standardize and promote the development of wholesale markets. Third is the need for further perfection of the ceiling price procurement system, to control the degree of rise in prices of the means of agricultural production and to narrow the "price scissors" between industrial and agricultural products.

(6) Concentration of Forces To Carry Out an Assault To Assist the Needy and Bring About Development. More than 80 million people in China have still not found a long-term solution to their subsistence problems, most of them living in high mountain and border areas, and in frequent natural disaster areas. Others live in old revolutionary base areas and minority nationality areas. The State Council has set a seven year period for solving the subsistence problems of these 80 million people, i.e., the "Eighth Seven-Year Assault Plan To Support the Needy." We must continue a good job of work-relief programs, stick to development plans to assist the needy, reshape the economic development mechanism in such areas, improving their self-invigorating mechanism to ensure victory in the assault.

(8) Reduction of Peasant Burdens. Both the party and the government have drafted a series of policy measures to reduce peasant burdens, and limits on peasant burdens have also been written into law. The law clearly provides that no unit may increase peasant burdens on any pretext, peasant burdens to be held within 5 percent of previous year peasant net per capita income. Now the key lies in implementation. We must act in the spirit of the Central Rural Work Conference to improve leadership and supervision, making reduction of peasant burdens an important task in development of the rural economy during 1990 and realizing the goal of a comfortably well-off standard of living, putting it on the government's daily work agenda, and paying unremitting attention to it.

Work Permit System For Peasants Criticized

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[Article by Zhao Shukai (6392 2885 0481): "Let Peasants Enter Labor Market Freely"]

[Text] The superiority of the market system lies in its competitiveness. That is, a market system achieves the optimal allocation of resources through competition among the various major players on the market. When

government regulates the market, the foremost objective should be to protect competition, that is, preserving a level playing field for all participants in market competition. As far as the labor market is concerned, a level playing field means that the worker has the freedom to enter or leave the market and the freedom to participate in market competition on his own worth. When government intervenes in the market not to protect such freedom but to decide whether a worker has the right to enter the market based on government wishes and to use administrative power to determine market choices, the resultant labor market will not offer a level playing field and is therefore not a genuine market.

In the current rural migration, rural workers spontaneously enter the labor market. At the same time, they also spontaneously create a labor market. Peasants entering the labor market and peasants creating a labor market are the two sides of one single process: the marketization of the employment mechanism. In this sense, rural migration may be described as an important engine of the marketization of the Chinese economy. Changes in the rural macroeconomic system have given peasants the freedom to operate and contract land on their own and the freedom to leave the soil and find work elsewhere. Through regional migration, such freedom has translated into the freedom to enter the labor market, which is a key source of the energy that has revitalized the rural economy, even the enter urban-rural economy. To consolidate and further the achievements of reform, we should protect this particular freedom for peasants. At a deeper level, this freedom is not yet whole, given the fact that peasants are still being hamstrung by a social personal management system truncated along urban-rural lines. It follows that to deepen reform, we must change the ID system that treats urban and rural areas differently.

I

A permit system for peasants who wish to work elsewhere has emerged in some areas in recent years. Under the permit system, a rural worker who wants to leave his village to find work in other places is required to apply to the county or township government for an "out-of-town work permit" (abbreviated hereafter as "work permit"). According to information from the agencies involved, if the examination and approval agency in the labor-exporting jurisdiction thinks the applicant has no well-defined job search objective, it may try to dissuade him from leaving and refuses to issue him a permit. Hiring units in importing jurisdictions hire workers on the basis of work permits; a person without a work permit would not be given a job. The system is most prevalent in several leading rural labor-importing and exporting provinces and regions in east China, south China, and southwestern China. Taking this practice one step further, some agencies have suggested that peasants be required to produce a work permit before they can buy a train ticket. These days the work permit system is being publicized by some in the mass media a major innovation in reform. Recently we went to the Zhu Jiang delta

area in Guangdong, which has a heavy concentration of rural migrants from other provinces, to do a preliminary study.

Estimates put the non-local work force in Guangdong at 6.5 million, 10 million if we include the floating population on the move between counties and municipalities in the province. Non-local workers are concentrated in the Zhu Jiang Delta area and large and medium-sized cities like Guangzhou, Shenzhen, and Zhuhai. Owing to the lack of statistical data, and because of the complex nature of the distribution of rural migrants, we do not as yet have a complete picture of the magnitude of the out-of-province work force in Guangdong consisting of workers with a work permit. Nor do we know how many enterprises in the province (including individual hiring units) require a worker to produce a work permit before hiring him. Our study mainly took the form of interview and focused on state enterprises, the three kinds of enterprises that are either wholly or partially foreign-funded, rural collective enterprises, individual private enterprises, as well as grass roots governments in such places as Guangzhou, Foshan, Zhongshan, and Shenzhen. In Zhongshan, according to people in charge of the municipal agricultural commission, township and town enterprises are required to demand that an outside worker produce a work permit as a condition for employment. However, township and town enterprises are themselves a complicated lot. It is hard to tell how many of them actually comply with this regulation. Comrades in Foshan told us the same story. We visited Foshan Electrical Lighting Company, Ltd., a large enterprise that has a rule explicitly requiring nonnative workers to produce a work permit. The enterprise has 5,000 workers, most of them from other provinces. In the workshop we interviewed several workers from Jiangxi, Hubei, and Guangxi, all of whom found work here on the recommendation of fellow villagers, classmates, or relatives and all of whom had work permits. Workers from southern Jiangxi said they were charged 200 yuan each to get a work permit back home. The rate was 60 yuan in Guangxi and 40 yuan in Hubei. We also visited two enterprises in Foshan, one of them an aluminum plant. A Sino-Hong Kong joint venture, it hired almost 1,000 people, about one-third from outside Guangdong. The other was a Taiwan-funded knit sock factory with 500 employees, including more than 100 from outside Guangdong. According to a factory leader, no work permit was required. At the aluminum plant, a young fellow from Hengyang in Hunan Province told us it was possible to get a job there without a work permit. It would have cost him 60 yuan to get a work permit back home, so he simply decided not to get one. In Lishui township in Nanhai Shi, the township chief said there were 15,000 nonlocal workers in the township. To find a job in the township, a person must produce his ID card and a document certifying that he is unmarried (or a birth control card), but not a work permit. We also visited several individual private enterprises in the Zhu Jiang Delta. They required no work permit, not even an unmarried certificate (or birth control card). We checked

out several large hotels, shopping centers, restaurants, clothing stores, and small shops in Guangzhou and Shenzhen. None of them required a work permit for hiring. For instance, neither Guangdong Guest-house in Guangzhou nor Jingdu Hotel in Shenzhen, three-star and four-star establishments, respectively, had a work permit requirement.

Our preliminary impression is that among enterprises in the public sector, a portion, but only a small portion, have indeed adopted the work permit system, but it is impossible to estimate how many enterprises actually do so. Among nonpublic enterprises, particularly miscellaneous private enterprises, such as small eateries, restaurants, clothing stores, and small shops, a work permit is not a prerequisite. As to whether there are individual enterprises which make employment conditional upon a work permit, we don't know. In terms of geographical distribution, places like Foshan and Zhongshan in the delta region do require a work permit, while large- and medium-sized cities like Shenzhen and Guangzhou do not. Nor do enterprises in the development zone in Guangzhou.

In determining whether or not a practice or system is necessary or appropriate, we cannot just look at the initial results. A sound practice or system may not produce satisfactory results in the early days of implementation, but that does not make it any less sound. In fact it may become more and more vital over time. A bad practice or system may be very vibrant at the beginning, but it could still remain a bad system or practice. The people's commune, for instance, took the nation by storm in just a few months, but this is no proof that it was a historically correct choice. It owed its explosive expansion primarily to its coercive adoption by administrative forces. In evaluating the work permit system, therefore, we cannot use the number of enterprises and localities that have adopted the system as a yardstick. What is even more important is to analyze the actual impact of its operation on social economic development. Is it consistent with the direction of marketization? Does it facilitate the creation of a market economy, particularly the healthy maturation of a labor market?

2

The system of requiring peasants who wish to leave home to find work to secure a work permit has been endorsed by some sectors. At one point we too considered it a good way to reduce haphazard migration and promote orderly migration. Armed with the results of our study and after listening to the opinions of enterprises and peasants, we reexamined the system from the perspective of the inherent requirements of the market economy and realized that the system should not be endorsed. We can go even further and say it may be an artificial impediment to the entry of rural workers into the market.

There was an objective background for the emergence of the work permit system. Rural migration that involves a

massive number of peasants may cause extreme social stresses. To begin with, it has strained the rail and transport sectors to the breaking point. Migrants could not be successfully distributed and resulted in explosive concentrations. Secondly, importing areas were overwhelmed by the flood of migrants pouring in. Many workers could not find jobs right away, constituting an army of unemployed migrants and causing a string of problems. They are a source of concern for all society, particularly government. Some labor-exporting and importing areas got together to work out a solution. Hence the "work permit" system. A labor-exporting jurisdiction issues a permit at the end of an examination and approval process and lets a person go. The labor-importing jurisdiction hires people when they can produce a work permit. That way a basic balance is achieved between labor supply and demand, thus avoiding haphazard rural migration. Looking back now, we see that a lot of thought had gone into the system. Had a government plan been the principal mechanism for creating jobs for peasants, then such a system will invariably prove effective. However, the enterprise system has now changed. Just look at the hiring system alone. In the wake of the diversification of the organizational formats of enterprises, the employment practices of enterprises have also diversified. In a market economy, it is an enterprise's right to decide whom to hire. Suppose the person with no permit is the right person for the job in question while another person with a permit is the wrong man for the job. What should an enterprise do? On the other hand, rural migrants are not solely motivated to find a job in a particular enterprise. Many of them create their own employment opportunities. In effect what they do is to recommend themselves for a job, dispensing with the services of a recruiter. Under these circumstances, the work permit is bound to run into difficulties in practice.

The very design of the work permit is fraught with limitations. It is a mere reaction to rural migration. Its objective was to slow the tidal wave of rural migrants by limiting the peasant's freedom of movement. Such a government act, which revolves around restriction, overlooks the personal freedom peasants have won since reform went under way and ignores the employment autonomy enjoyed by enterprises in the wake of reform. It may have some positive effects, but is essentially negative and runs counter to the marketization of employment.

Although government agencies in some labor-exporting and importing localities work in concert to drum up support for the work permit system, things are largely beyond their control. Only very few employment areas fall within their sphere of influence. At the labor-exporting end, most rural workers about to join other rural migrants ignore the work permit system, leaving home as soon as they get hold of an ID card and applying for a work permit only as a last resort. At the labor-importing end, enterprises subject to extensive government intervention often have no choice but to go along

with it reluctantly. As for enterprises beyond the reach of direct government intervention, they simply turn a blind eye to the system. Some governments at the grass root and autonomous organizations even consider it superfluous and refuse to cooperate with it. As a result, it is not surprising that the system has not been as effective as anticipated earlier in curbing haphazard migration. Judging from the situation in some township and town enterprises in the Zhu Jiang Delta, the decrease in the haphazard influx of rural migrants has more to do with self-regulation by peasants than with the functioning of the work permit system.

While the system's potential for good may not have been fully tapped, its adverse effect—its direct erosion of the peasants' rights and interests—has been surprisingly striking. In some localities, therefore, most peasants do not just dislike the work permit system but are vehemently opposed to it. First of all, it has made the economic burden on peasants even heavier. The typical labor-exporting area is an economically underdeveloped province or region where peasants' earnings are low to begin with. They shoulder a heavy burden and some are still struggling to feed and clothe themselves. When these peasants hit the road to join the rural migration, their main objective is to make a living. Yet local governments charge an exorbitant fee for issuing a piece of paper, lining the pockets of a department in the name of "bringing about orderly migration." Peasants interviewed complained about the unreasonableness of having to part with anywhere from 80 to 100 yuan even before they could find out how much they could make by leaving home to look for work elsewhere. Some peasants said it really hurt to have to pay such a hefty sum for a document, considering that they could not even afford to send their children to school. Second, peasants' employment autonomy has been violated. In the past the people's commune controlled the peasant's personal freedom administratively. Since reform went under way, peasants have won the right to control their own labor autonomously. Should they stay on the soil and farm the land? Or should they go elsewhere to find work? This is a peasant's basic right as an independent commodity producer and operator. It is this right that has enabled peasants to utilize their talents in many fields and carve out a niche of the market economy for themselves ahead of others. Now government wants to reassert control over peasants through the work permit system. If they want to leave town, they need approval. If they want a permit, they need to pay a fee. This is tantamount to forcing peasants to buy their "migration right." Clearly this puts up a barrier to the development of a labor market. If we follow through with this logic, maybe peasants should also be required to obtain a permit before they can go to the city to buy food. What about urban workers? Should we demand that they obtain a permit too if they want to leave town to find work? Workers should enter the market like commodities—freely. The only difference is that the worker and his labor are inseparable, which is why the worker should have the necessary personal identification, namely the

ID card. This is what is required under the universal law of the development of a capital goods market. If we mandatorily require a peasant to seek government approval before he can enter the labor market, we in effect reject the notion that the peasant is the master of his own labor. This would constitute a new discriminatory policy.

Some peasant workers disclosed that getting a work permit back home requires no examination-and-approval process. The only condition is that they pay a fee. Cough up the money and you get a permit. It all boils down to money. The permit-issuing department does not have the slightest interest in where the peasant is going or what he is going to do. The practice of requiring a peasant to enter "work permit" market before entering the labor market effectively negates the very rationale put forward by government for instituting the work permit system.

3

Some jurisdictions have been trumpeting the advantages of the work permit system as follows. For one thing, they say, by requiring peasants to apply for permission from and register with the government, we get a better knowledge of the peasants who join rural migration. For another, control by examination and approval will decrease the number of peasants who leave town without careful thinking. In fact, both arguments are problematic. First of all, if we are interested in gathering information, we need not go into the business of examination and approval, just report-filing and registration, functions that need not involve a government agency since the village committee or villagers' group can take care of them. Secondly, on what do the examination and permit-issuing agencies base their decision whether or not a peasant is a haphazard rural migrant, thus granting or denying him a work permit as the case may be? You say a particular peasant is a thoughtless rural migrant. The peasant would say otherwise. Mind you, more than anybody else the peasant does not want to be a rural migrant willy-nilly because he is solely responsible for the consequences of such thoughtlessness. Besides, entering the labor market is inherently haphazard to a certain extent. There is no market economy without some measure of haphazardness. The market is haphazard in that it is risky. The vitality of the market mechanism is intrinsically linked to this haphazardness. Haphazardness implies exploration and innovation. The way to avoid any haphazardness is to have the government place you in a job. Since that is not an option, the only thing the peasant can do is to strike out on his own, not without a degree of haphazardness, to look for or create a new job opportunity. We can see that if we proceed to regulate rural migration in accordance with the work permit mentality, the right to enter the labor market will be at the mercy of the subjective assumptions of some government personnel, and the labor market will be malformed. The very act of peasants leaving their villages in search of work creates a labor market in itself. The labor market spontaneously created

by peasants is the most dynamic and extensive labor market in China these days. Nationwide between 50 and 60 million rural migrants have found work today, in an overwhelming majority of cases thanks to the market created and opened up by the peasants themselves. China has so many peasants that there is little hope the government can solve the unemployment problem through planned allocation. This innovation on the part of peasants is a historic contribution. Needless to say, there is indeed an oversupply of labor in some areas, leading to certain economic and social contradictions. Be that as it may, we should not attempt to solve problems encountered in the development of the market economy by resorting to traditional managerial methods. In a market economy, the worker is master of his own labor. In realizing its use value through market exchange, the worker should only submit to the test and selection of the market, not that of a government agency. Mandatory prior selection by a government agency is actually a kind of selection that is baseless, or, shall we say, a kind of selection based on the wishes of government officials. To use administrative methods to decide outright who can enter the labor market and who cannot based on the wishes of government officials effectively deprives some workers of their right to enter the market. The resultant labor market is an unjust market, not conducive to bona fide market competition. The work-permit system would only succeed in preventing the formation of a unified open labor market and perhaps leads to corruption by government agencies.

To solve the labor oversupply problem in some areas, the government should focus on developing and nurturing a market information system that will provide peasants with information services. First of all, where an individual worker goes is a macroeconomic decision on the labor market. The question can and should be answered by nobody but the worker himself. Only the worker is in a position to answer the question properly. This is because the worker knows his conditions and aspirations best and it is he himself who must ultimately assume responsibility for his decision and bear the full cost of any thoughtlessness on his part. He has the most interest in securing the best employment opportunity with the least cost. More than anybody else, therefore, he is a cautious decisionmaker. Second, regionally speaking the labor supply-demand situation is a macroeconomic issue on the labor market. Workers themselves are powerless to influence the situation. Even more important is government participation. The market system is huge, intricate, and ever-changing. Individual decision-making must be based on a certain amount of information. It is precisely government's role in a market economy to do the things that the market cannot or cannot do well. Now the foremost thing that rural migrants cannot do or cannot do well is information. Clearly it would be putting the cart before the horse if the government does not do what the workers themselves cannot do or cannot do well while getting involved in things the workers can do or can do well. Instead of doing information work, the government goes into the business of examination and

approval and permit-issuing ostensibly to reduce haphazardness but actually making the haphazardness worse. Faced with the critical and practical issue of the inter-regional migration of rural workers, therefore, what the government should do is to provide information services. Specifically, this means the government capitalizing on its ability to regulate and control the entire economy, utilizing the modern mass media, and using comprehensive government and nongovernment organizations, even organizing special social forces, to monitor market movements, analyze market trends, and supply market information, thus providing favorable circumstances for decision-making by workers. Armed with more timely information, workers can make decisions on their own and worker migration will naturally become less haphazard. Note that government information work cannot be interpreted simplistically to mean the market disseminating information through government or peasants obtaining market information from government. Market activities per se are information activities. The market is disseminating information even as it operates. What the government should do is to create the conditions for the highly effective dissemination of market information, on the one hand, and directly gather and disseminate market information, on the other.

4

Rural migration has directly led to three major social problems: overburdening the railway system, losing control on family planning, and rising crime. Certainly we need to face up to these problems, but they must not become the rationale for resorting to administrative tools to limit rural migration.

To ease the burden on the railroad system, we need to expand the system's carrying capacity to meet the transportation needs of a growing economy as a whole, not just rural migration. In the short haul, transport capacity will continue to fall behind the demand for transportation, so we need to impose suitable restrictions to relieve the pressure on the railroads. But such restrictions must be comprehensive instead of targeting the peasants alone. Everybody is free to use the huge transportation system... tourists, people who travel on business or to attend meetings. Only peasants on the move in search of a livelihood are barred. This does not make sense. Every time the economy picks up steam, the bottleneck effects of the railroads become more pronounced. But people do not point their fingers at an excess of cargo. Yet every

time the number of peasants riding trains increases and the volume of passenger traffic exceeds the capacity, peasants get the blame. This too is unjustifiable. Rural migration has complicated population control. What we should do is to look into ways of improving family planning work even more closely, including reforming the present population control policy in conjunction with the reform of the permanent residency registration system. The idea is to make things convenient for peasants as well as controlling population growth. As part of its pregnancy testing program, a local family planning department insisted that an elderly woman in her 70's travel hundreds of li to bring home her daughter-in-law, who was working out of town. Furthermore, the locality publicized this incident as something worthy of emulation. This is blatant peasant harassment. Why couldn't they have been more flexible? Solving this string of problems involves an important ideological issue: Should rural migration be made to suit the management systems and work methods of yesteryear? Or should we reform the latter to accommodate the new reality of rural migration? The same principle applies to law and order.

Rural migration is inherent in the development of a market economy. Migration leads to disorder on certain fronts, which we may consider the social cost of reform. The leading candidate for reform is not the peasantry, but the government management system. This too is part of government reform.

(Writer's unit: rural section, Center for Development Studies, the State Council)

Hunan Reaps Bumper Spring Grain Harvest

94CE0551F Beijing JINGJI RIBAO in Chinese
14 Jun 94 p 1

[Summary] Gross output of spring grain in Hunan Province was 600 million kilograms, a 5 percent increase over 1993, and gross output of rapeseeds was 700,000 tons, a 10 percent increase over 1993.

Xinjiang Cotton Area, Output

94CE0551I Beijing ZHONGGUO FANGZHI BAO
in Chinese 30 May 94 p 1

[Summary] In 1994 the cotton area in Xinjiang will total 10,958,000 mu, an increase of 258,000 mu over the planned area; gross output will total 830,400 tons, an increase of 30,400 tons over the planned output.

Results of Survey Reveal 'Problems' of Students

94CM0299A Hong Kong MING PAO in Chinese
16 Apr 94 p 11

[Text] The results of a survey undertaken by an organization in Shanghai reveals that "at a loss about or stymied by life" "reversals and attacks," "having a crush on someone" and such psychological problems are among the problems besetting middle schoolers on the mainland. According to an analysis of some 1,200 letters received by a Shanghai city youth problem hotline from young people in 27 provinces, municipalities and autonomous regions, there are 14 types of psychological problems besetting China's middle school students. The report issued by the hotline divided the problems into the 14 types shown in the adjoining chart. According to the analysis, of the problems listed, the most prominent were "new life complications" "at a loss about or stymied by life" and "reversals and attacks." A second year middle school male student (the equivalent of our fifth year middle school) said in his letter: "I have heard that people with money are happy; that people with learning are in dire straits, that the children of high officials use their connections and go by the back door, that the gifts from civilians can make an official rich... Is this all true? Hearing other people talk about this being inevitable in society, that we are the naive ones, how is one to adjust to this society?" If one says that the mainland middle schoolers' problems like being "stymied by life" are primarily the effect of society, then the cause of problems like "reversals and attacks" and "having a crush on someone" obviously is that the majority of them are middle school students are single-child homes, who are normally over-protected, have experienced few difficulties and who are psychologically ill equipped to withstand or endure any hardship. A Miss Wang who states that her study record has been consistently excellent, after failing a small exam wrote in her letter: "God is treating me so unfairly! My failure is wholly unbearable!" For the same reason another student wrote: "I am a piece of garbage! What are other people going to think of me? The stench of my rotten name has wafted afar." The thing that worries the concerned experts is the problem of "early love" among middle school students—which everyone had always kept close watch over—has recently begun to appear again as "having a crush on someone" and including secret heterosexual affairs with older people such as the parent of a classmate, a teacher, a famous singer, or some master of ceremonies, etc. It is a symptom of increasing personal and psychological immaturity.

Psychological Problems of Mainland China's Middle School Students

1. Troubled relations with classmates
2. Troubled relations with teachers
3. Trouble with study methods
4. Curricular, social and complex feelings of inferiority
5. Homesickness
6. Problems adjusting to a new life
7. Everyday life problems

8. Future uncertain
9. Reversals and attacks
10. "Early love" problems
11. Sexual, emotional, psychological problems
12. Personal appearance problems
13. Psychological problems brought on by breaking rules
14. Loneliness

Peasants' Unhealthy Consumption Attitudes

94CM0306C Beijing ZHONGGUO SHEHUI BAO
in Chinese 19 Apr 94 p 3

[Article by Chen Daxiong (7115 1129 7160): "Present Improper Consumption by Some Peasants and Their Mental Attitudes"]

[Excerpts] Improper consumption presently observed among some peasants manifests itself mainly in the following ways:

Ostentatious and extravagant displays at marriages and funerals Using up the entire family savings accumulated over years, and even borrowing money, in order to stage big shows at weddings or funerals is a rather common occurrence in the rural areas. A questionnaire-survey of 100 peasant households in the rural districts of Leping City in Jiangxi Province revealed that generally 8,000 to 10,000 yuan are spent on a wedding, and on funerals money is spent as if it were water, and any burial will be undertaken only after consuming several thousand jin of grain and slaughtering one or two pigs. No wonder that some people say: "Today one cannot afford to marry, and cannot afford to die."

Vying with each other in generosity when it comes to entertaining guests or presenting gifts As found out in Yongxiu County in Jiangxi Province, there are presently as many as somewhat over 40 reasons in the rural areas for entertaining guests or presenting gifts, and there is an increasing rage to purposely ingratiate oneself into the favors of others. The sample investigation of 70 peasant households in Yongxiu County revealed that in 1993 the average per capita expenditure on gifts was as high as 125 yuan, which amounted to 14.7 percent of a peasant's cash income. In Jiangxi Province in 1992, the average per capita cash expenditure on gifts was 39.18 yuan, which amounted to 10.6 percent of the total personal cash consumption, an increase of 11.1 percent, compared to 1991.

Rampancy of feudal superstitious activities Alarming large amounts are spent on such utterly foolish items of consumption as building ancestral temples, compiling family genealogies, sculpturing Buddha statues, building earth god temples, burning incense and Buddha worship, engaging spirits to drive out evil ghosts, and fortune telling and logomancy. To get into the family genealogy each male has to pay 50 to 100 yuan, for the ancestral temple each household is assessed several hundred yuan, even more money has to be spent on masses for the souls of the deceased, a Taoist priest has to be paid somewhat

over 150 yuan, to which must be added his food and drink, spirit money, candles, and firecrackers, raising the expenses to over 1,000 yuan. It is even more absurd that in some instances a tomb is built before a person's death. In Lingang Village within Leping City, long rows of tombs line both sides of the highway, all built with concrete tops and marble tablets, at an expenditure of altogether over 3,000 yuan.

Houses are built in a grandiose way If the peasants have money to do so, one cannot reproach them for wanting to improve their housing conditions. The problem is only that some peasants are in too much of a hurry to build houses just as soon as their living conditions have improved, or they take on new debts even before old debts had been repaid. Some blindly strive for a higher status and expend on a consumption for which they are not yet ready.

Some peasants go very much the wrong way in their consumption and are thereby the cause of huge economic wastage. On the other hand, they show themselves extremely stingy when it comes to spending on what is necessary, rational, and beneficial. For instance, they are seldom ready to spend money, and particularly larger sums of money, on such activities as intellectual investments, reproductive input, the development of public welfare enterprises, and on the development of new things useful to improve their livelihood or economic condition.

Analyzing how some peasants get to these improper ways of consumption, we find that they are mainly motivated by the following mental attitudes:

Ostentation of wealth and hedonistic attitude Some people believe that as long as one lives in this world one might as well live more comfortably and dignifiedly. On certain special occasions they will therefore invite in all their relatives, friends, and neighbors and on other occasions show themselves generous in sending gifts. They will take these opportunities to show off their wealth, go in for ostentation and extravagance, vie with each other in style, and all this to gain a certain amount of "face."

Feeling obliged to reciprocate Having been invited or received gifts, one always feels under social obligation to the other parties, therefore at a suitable opportunity will have to also feast them or send gifts to reciprocate.

The compensation mentality The idea: We all contributed our share when someone else was in need, now that an opportune moment has come for us, we also want those other parties return the favors, so that we will get back what we had laid out for them.

The "self-enrichment mentality" People who have this mentality will purposely leak out information about certain events in their families and make them evident to as large an audience as possible.

The "cannot-help-it" mentality Being compelled by public opinion and pressured by circumstances. Having been feasted and having received presents, how can one pretend to be deaf and dumb? One simply has no alternative but to do something about it. When it comes to extravagant outlays for ancestor worship or superstitious activities, people are afraid to be called disrespectful of their ancestors, and even more afraid that their names will be struck from the "clan register," if they don't join clan activities.

The "material benefits" syndrome Many peasants, affected by the commodity economy around them, feel that rather than spending money on further schooling of their children, they better have them leave school earlier, come home, and help earn money, thus getting some "material benefits" out of them.

Conservatism and fear of possible changes Some people believe after several decades of farming, relying on one's long-practiced skills and experiences will leave one not too far off. In particular, some farmers will not spend money to improve the soil or invest in afforestation for fear policy may change. They worry that one day an official letter may come ordering "readjustment," and "readjustment" it will have to be, or ordering "confiscation," and "confiscation" it will have to be. As the saying is, how can the arm overcome the strength of the thigh.

The "bad-conscience" syndrome Some people are very much afraid that if they would expend money or effort on public enterprises, others would get more out of it than they themselves. They have therefore no desire to get involved, and if someone would want them to contribute money or labor to anything labeled "public," they would be out of sight as fast as possible.

Characteristics of Marriage Crisis in Rural Areas

94CM0306B Beijing NONGMIN RIBAO in Chinese
17 May 94 p 2

[Article by Wang Junhong (3769 6511 4767): "Various Aspects of the Marriage Crisis in the Rural Areas"]

[Excerpts] **Serious trend toward pre-legal age marriages** A common saying in the countryside is: "The earlier a boy is born to you, the earlier your happiness," and this is also the backward viewpoint on procreation held by many in the countryside. As a result of this viewpoint, illegal [i.e. pre-legal age] marriages are like a pestilence jeopardizing the psychological health of young boys and girls. Statistics show that in 1991, somewhat over 1,200 births borne in pre-legal age marriages occurred in 25 villages and townships of a certain county, where the girls had been between the ages of 16 to 22.

Rich bosses acquiring "mistresses." Nowadays, we see more and more people in the countryside who have lots of money, which some, however, spend in a most improper way. They often take enterprise business as a pretext, but start a deceptive game of love, buy or rent

houses in town, use money as "bait," set up "mistresses" and live a polygamous life.

Adultery by both sexes, emboldened by backing from some parties. A small number of married men and women lead dissolute lives, in complete disregard of the interests of family and children, and defying party discipline as well as the laws of the land. They give cause to one tragedy after another of families being broken up and lives being lost, of wives abandoning their families and children being dispersed. When Lu [0712], the female chairperson of a certain village, took up illicit relations with a certain Lu [7120] in the township in question, [here follows a story of great tragedy for all persons involved].

Sudden increase of marriage troubles among "persons wielding power." A certain Wang, a party branch secretary in a certain village, originally has had a perfectly happy family life, but as he was doing so well in recent years, he started an "affair" with F, a girl in the same village, and after that had been going on for five years, he pressured his wife to give him a divorce. To gain his objective of a divorce agreement with his wife, he had to give up to her a large portion of his possessions.

Increasing tendency toward "economic marriages." In recent years, a "commodity-economy" consciousness has motivated peasants in the selection of marriage partners, and all family members are increasingly bent upon getting rich relatives. It thus happened time and again that marriages are based on economic considerations and motivated by prospects of enjoying all amenities of life. As a consequence, crises in family life and social problems are increasing correspondingly almost daily.

According to investigations, the fact that peasant women have married into quite prosperous families has led to a year by year increasing number of divorce cases. Among the prostitutes investigated or brought in for reeducation, those from rural areas by far outnumbered those from urban areas. Furthermore, women in the countryside in increasing, certainly not diminishing numbers, motivated by the poverty of their families, will fabricate all kinds of alleged conflicts and on their own initiative demand divorces. There are also many married women in poverty-stricken families who will leave home to fraudulently remarry elsewhere to get into money.

Brief Analysis of Swindle Cases

*4th Mission Beijing ZHONGGUO SHEHUI BAO
in Chinese 21 Apr 94 p 3*

[Article by Zheng Bufa (6774 2975 3127), Yang Deqing (6774 3237), and Shao Jingan (6730 6855 3227):
"10 Characteristics of Fraud Cases and Countermeasures Against Swindle"]

[Excerpts] Looking at all the cases of fraud adjudicated since 1991 at the people's court of Jianhu County in

Jiangsu Province, we see that they have the following characteristics, which appear different from those of the past:

- 1) A large increase in the number of cases. In 1991, the said court adjudicated six fraud cases, in 1992 the cases had doubled to 12, and in 1993 it was a multiple of the 1992 figure again; these cases are increasing in a geometric progression.
- 2) Increasing magnitude of the objects involved. Few fraud cases were for less than 1,000 yuan, they were generally for several thousand yuan, and frequently even cases involving over ten thousand and several hundred thousand yuan. Cases involving more than 10,000 yuan accounted for 36 percent of the total cases. The defrauded sums of the cases adjudicated during the first quarter of 1993 amounted to 244,800 yuan, which is already 1.4 times the amount of involved in all cases of 1991.
- 3) The scope of such cases has widened. Criminal elements from abroad have entered this country and are committing fraud on the mainland. Their activities have occurred in many different provinces and cities.
- 4) Losses due to these fraudulent activities have become serious. Objects of these frauds have been public and private property. Once accomplished, the victims will suffer losses to different degrees, and in some cases the consequences are very serious indeed.
- 5) In most cases of fraud village and township enterprises and individual contractors had been victimized. Among 25 fraud cases, 15 of the victims have been of the mentioned categories, accounting for 60 percent.

The following are the methods used in the commission of fraud in these cases:

Use of false documents to commit fraud. This is the main method used by defrauding criminals. The false documents are in the majority of cases false letters of introduction, false contracts, false testimonials, false resident's identification papers, and false seals of office. The use of false documents is always the easiest way for defrauders to succeed.

Exploiting psychologically the strong desire of factories or owners of commodities to sell their goods, using sweet and enticing words to hoodwink the sellers. This kind of criminals will often exploit psychologically the great eagerness of owners of commodities to market their goods, and they will thus worm themselves into the confidence of the owners of commodities in order to achieve their intended objective which is fraud.

Utilizing the opportunity presented by the great need of some enterprises to import technologies, criminal elements will commit fraud by first pretending to be able to provide or transfer such technologies. This kind of fraudulent criminals will often outwardly appear as honest gentlemen, who will pretend to be willing to help backward regions and willing to support the development of village and township enterprises. They will act ostentatiously, looking for a chance to swindle people,

boasting of their own capabilities, and thus entice people by guile or flattery to fall victims to their fraudulent machinations.

Exploiting psychologically the eagerness of some people to acquire certain commodities, criminal elements will deliberately make deceptive statements as to the commodities they offer, and thus accomplish their fraud.

On the pretext of helping in the management of affairs, they will wantonly defraud people of money and possessions. Defrauders will often brag and boast about themselves as having certain backing and relations that would enable them to help in problems concerning registration of domicile, employment as cadres or workers, and will in this way swindle some people who have had every good intention.

Swindling people of money and valuables by banking on the greed of some people. A criminal will purposely discard something on the street that looks valuable but is a fake. When a passerby picks it up, a group of accomplices will suddenly appear on the scene and demand a share of the find. As the value is shared among everybody involved, the fake item remains in the hands of the passerby, who will have had to pay out cash to the swindlers as their "share."

Swindling people of money and possessions by means of superstitions. Cases of this nature occur mostly in the countryside and among people of a low level of general education; such cases tend to become more frequent almost daily.

Semi-Official Press Marks Beginning of Journalistic Freedom

94CM0253A Hong Kong MING PAO YUE-KAN
[MING PAO MONTHLY] in Chinese No 2, Feb 94
pp 82-86

[Article by Shih Liu-tzu (4258 2692 1311): "The Beginning of Journalistic Freedom in Mainland China—the Rise of a 'Semi-Official' Press"]

[Text] Although the CPC authorities still insist on putting a tight clamp on the news media, in the wake of increasingly thorough reform, the people's field of vision has broadened, initial market mechanisms have been formed, and the authorities have cut subsidies toward the propaganda units. These and other factors inevitably and irreversibly have changed the mainland press's sole purpose as propaganda tool. It is becoming diversified, multi-purpose, and enterprise-like. A "semi-official" press has quietly appeared, and it is full of vitality. It is signifying the beginning of the freedom of the press in Mainland China.

Even though the Chinese authorities are still insisting on putting a tight clamp on news media, and the press can be destroyed at anytime in a political storm or simply wither away under their own self-discipline, in the wake of increasingly thorough reform, the people's field of

vision has broadened, initial market mechanisms have been formed, and the authorities have cut subsidies toward the propaganda units. These and other factors inevitably and irreversibly have changed the mainland press's sole purpose as propaganda tool. It is becoming diversified, multi-purpose, and enterprise-like.

No doubt mainland China still does not allow individuals to run the press, but the overall official tone of the press is fading. In the past, people have paid too much attention to the major papers put out by the CPC party committee organs and have overlooked the rise of the "semi-official" press. Today, these publications have a wider readership than the party papers.

The quietly flourishing "semi-official" press and its great vitality may not have radically changed the media control system favored by high-level CPC officials, and news is far from being reported in a realistic and objective manner, but the tabloids nevertheless are different from the party newspapers with their archaic sermons. They are signifying the beginning of journalistic freedom in Mainland China.

Tabloids Turning "Mainstream" Newspapers

The so-called "semi-official" variety tabloids and trade papers refer primarily to the non-official small newspapers as compared to newspapers put out by party committee or ministry committee organs. They may be derivatives of official newspapers or published by various mass organizations or even enterprises, or they may be linked to certain units but are in fact "privately run" by a few people who share a common goal.

These tabloids first appeared in the early 1980's and reached a peak in the mid-1980's. In 1978, mainland China had less than 1,000 newspapers of all types; subsequently, with the appearance of massive "semi-official" variety tabloids and trade papers, the number grew to more than 1,600. In 1989, many popular "semi-official" variety tabloids were condemned by the authorities. In the second half of 1989 alone, 200 "semi-official" press were forced to shut down. In 1992, various tabloids were "resurrected."

Literary Tabloids Were the First To Become Best-Sellers

At the beginning, literary tabloids were the first major "semi-official" variety newspapers; they were the best-selling tabloids. Most were published by prefectural and city-level literary associations and cultural centers. They contained primarily martial-arts stories, legendary tales, criminal cases and so all. Overall, the quality was poor, and while the writings contained little raw sex, they were often accompanied by offensive illustrations and headlines. This kind of newspapers were generally controlled by individual booksellers who spent large sums of money to hire people to write the stories and do the illustrations, and they handled the printing themselves and used civilian network to distribute them.

Digests Are the Most "Liberalized"

This type of newspaper has become the mainstream among the "semi-official" tabloids today. Their circulation continues to increase. Often they are published weekly on quarto pages, and although they are derivatives of the ossified party newspapers, they mainly contain articles found in various foreign and domestic publications that deal with sensitive issues, criticisms of party and governments, media personalities, and anecdotes, funny episodes, and literary essays. They are tasteful, informative, intellectual, and very interesting. The most influential among this type of newspaper are BAOKAN WENZHAI, WENZHAI BAO, and WENZHAI ZHOUBAO.

An official once said, "The most liberalized newspaper today in fact is WENZHAI BAO. It gathers the nation's reports on the dark side and even prints abstracts of overseas newspaper articles at will. But it is difficult to criticize and censor it, because WENZHAI BAO only does the abstracting."

Financial Newspapers Promotes Marketization

In the wake of the restructuring of the economic system and the opening up of the markets, financial newspapers of all kinds began to appear in the early 1980's. They are distributed primarily by enterprises, businesses, and government departments. The sponsors are mainly government economic management departments, economic societies, and enterprises, and almost every province has newspapers of this type. They play a very important role in the mainland's marketization. They include XINXI RIBAO, SHICHANG BAO, JINGJI XINXIBAO, ZHONGGUO CHENGXIANG XINXI BAO, XIAOFEI SHIBAO, XINXI SHIBAO, and ZHONGHUA GONGSHANG SHIBAO.

The most noteworthy among the above is XINXI SHIBAO. It is published in Guangzhou and owns its own XINXI SHIBAO Corporation. In recent years, its average profit has exceeded 1 million yuan a year. It not only has repaid the 200,000-yuan loan taken out when the paper first started but is partners with Hong Kong's CHING-CHI TAO-PAO in forming the Guangfa Press Co. Ltd., a company equipped with the latest advanced equipment. It also has entered into a joint venture with Zhujiang Foreign Trade Construction Corporation to run the Zhujiang Newspaper Publishing Co. Ltd.

Youth Magazines Are Cute and Lively

This type of newspaper is primarily published by the provincial CYL organs, but the editors and reporters in charge are mostly young people who are more liberal-minded. Since most of them are weekly papers, they can avoid printing official news and replace them with cute and lively articles on subjects of greater interest to the young people. Among them are QINGNIAN BAO, BEIJING QINGNIAN BAO, WUHAN QINGNIAN BAO, QINGNIAN CANKAO, and QINGNIAN ZHISHIBAO.

In terms of layout, these youth magazines are quite unique: For example, BEIJING QINGNIAN BAO uses dark lines to separate the columns and handles photographs like posters, and the headlines are often cute and different.

Legal Reports Are the Most Exciting

This type of newspaper is usually published by various provincial and city governments' political and law committees or judicial departments. Politically, they are more rigid and conservative than the other tabloids, but because they print many court cases and occasionally criticize the political and legal systems, they are very popular with the readers. Circulation has been soaring in recent years. The more influential papers include SHENZHEN FAZHI BAO, GUANGZHOU FAZHI BAO, SHANGHAI FAZHI BAO, WUHAN FAZHI BAO, and FAZHI ZHOUBAO.

Party Newspapers' Special Zone: Weekend Editions

Dry and worn-out political sermons have caused CPC party newspapers (including various ministry and committee organ papers) and local party papers to rapidly lose readership. In recent years, the party newspaper's total circulation has plummeted by around 30 percent.

At the same time, their "illegitimate sons" are being favored by many readers. These "illegitimate sons" are the party papers' "weekend editions," "month-end editions," and "expanded editions." They, together with the GUANGBO DIANSHI JIEMU BAO which became popular several years ago and the digests and legal newspapers, have become the "hottest newspapers" in town.

We use "illegitimate sons" and "special zone" to describe the "weekend editions" because, as far as the publishers of the party newspapers are concerned, it is not the main purpose of the "weekend editions" to give publicity to the party's general and specific policies. They are recreational "tabloids" catering to ordinary citizens, and that makes them "illegitimate." It is also because these "weekend editions" are different from the "orthodox party newspapers" in writing and layout, and to the editing and reporting staff, there is a "special policy" toward these "weekend editions," and therefore they are called "special zone." They are mutant party papers, and they too are signalling the beginning of journalistic freedom in mainland China.

ZHONGGUO QINGNIAN BAO's Inaugural "Weekend Edition"

"Weekend edition" was first introduced by the CYL's party organ newspaper, ZHONGGUO QINGNIAN BAO, on 4 January 1981. It was named ZHONGGUO QINGNIAN BAO, Sunday Edition.

This Sunday Edition basically did not print any of the stuffy official documents or the leaders' hackneyed and boring speeches; it emphasized intellectual, interesting,

literary, and social matters. Each page was in fact a "special column" on a set topic, including society news, marriage and family, historical knowledge, tourism, humorous articles, book review, literary works, abstracts, and so on. They also used colored prints, and the layout was lively, and basically, it was a "supplement"-like tabloid. But this unorthodox "Sunday Edition" was very popular at the newspaper stands.

On 21 February 1984, a second "weekend edition" was published in Guangzhou. It was published by NANFANG RIBAO, a Guangdong Provincial Party Committee organ publication. It was named NANFANG ZHOUMO. It put even greater emphasis on society news and media personalities. Its reports were more in-depth, and the articles tended to be longer, some as long as 10,000 words. Basically it was a magazine-like paper. It differed from some popular low-class literary tabloids in that its editing and reporting styles were very serious. NANFANG RIBAO was a local party newspaper circulating within Guangdong Province, but NANFANG ZHOUMO quickly spread to all large- and medium-sized cities throughout the nation; sales were brisk.

The success of ZHONGGUO QINGNAN BAO's Sunday Edition and NANFANG RIBAO's NANFANG ZHOUMO enticed some other newspapers to follow in their footsteps. But from 1987 to 1989, the CPC continuously cracked down on the press, closing many "semi-official" tabloids and magazines and even prohibiting the CPC ministry and committee organ newspapers and local party newspapers from starting their "weekend editions." As a result, the development of "weekend editions" slowed. By 1990, the nation had less than 20 "weekend edition" newspapers.

"Weekend Editions" Helped Promote Sales of "Party Papers"

After "June 4," almost all CPC party newspapers were restored to their original form before the fall of the "Gang of Four." They were full of articles of harsh criticisms and advertisements; information was greatly curtailed. In addition, there was a drastic increase in the price of newspapers at that time, and with stiff competition from other media such as radio and television, party paper circulation plummeted. But circulation of newspapers such as JIEFANG RIBAO, GUANGZHOU RIBAO, and SHENZHEN TEQU BAO, with their "weekend editions" and "expanded editions" (eight folio pages,) was increasing at rates of 6-8 percent, forcing many papers to plead with their superiors to run "weekend editions" or expanded editions.

Thus, from the central authorities to the localities, everybody caught the "weekend editions" and expanded edition fever. Even REMIN RIBAO put out its DADI ZHOUMOBAN. JIEFANGJUN BAO's weekend edition even won the support of some generals. They said, "It makes live rich and colorful and gives it a modern flavor."

Are Liberal Elements Flocking to the "Weekend Editions"?

Of course "weekend editions" do not represent free press; at least politically they, like the orthodox party papers, dare not step out of bounds. But compared to the orthodox party papers, they indeed have their unique characteristics:

To capture more readers, the "weekend editions" are much more readable and more informative. Most have columns entitled "In Pursuit of Hot Tips," "Legendary Figures," "Society Close-Up," "News Analysis," "Wide-Angle Lens," "Marriage and Family," "Hot Topics," "Hong Kong-Macao-Overseas," "Police Whistle," "Anecdotes on Movie and Recording Stars," "Everyday Questions and Answers," "Mini Bookseller," "Abstracts," and so on. "Society News" and other special topics emphasize news-worthiness, literary content, and readability. They take social topics and social issues that attract much attention but are not abrupt incidents, and they report them at different levels. "Hong Kong-Macao-Taiwan Overseas Affairs" often carries abstracts of articles published in Hong Kong, Macao, Taiwan, and overseas newspapers, including reportages on overseas democracy movements (of course these are negative reports, but the readers can get an idea of the democracy movements abroad.) "News Analysis" has deep-probing antennas too. "Abstracts" is even more of a condensed information warehouse.

Take some of the articles published in JIEFANGJUN BAO's Weekend Edition for example. They are more interesting than the ordinary formal and proper reportages: "The Sino-Russian Border Under the Watch Tower," published on 30 May 1992; "Our Little Japanese Friends, a Xisha Sailor Has Picked Up the Bottle You Set Adrift," published on 23 May; "The Mysterious Chinese Man in the Gulf War" and "China's Frogmen," both published on 13 June.

A writer said, "The liberalized elements have all flocked to the Weekend Editions." Indeed, many writers who were censured just two years ago have quietly reappeared on the "weekend editions." Compared to the days when they "gave advice to the nation and wrote encouraging words," the only change is that some of these people are no longer keen on discussing great plans for the country or writing prescriptions to save the world. They are no longer full of fire, nor do they care to state their case with vehemence; instead, they have risen above worldly affairs and can talk everything under the sun, and in their irreverence, they are both serious and humorous. Their style is not unlike that of Lin Yutang and Zhou Zuoren of the by-gone days.

The "weekend editions" use simple narratives and everyday language, and the readers readily accept this kind of "popular culture" (or "consumer culture") in a familiar and natural setting.

In terms of page layout, the "weekend editions" are more meticulous and refined than the orthodox party newspapers. Most either use red highlight or color print; they use block setting and dazzling headlines, and they emphasize writing as well as illustrations and accept all types of literary styles.

The "Popular" Magazine Craze Is Still Going Strong

Compared to newspapers, magazines are even more folk-oriented; they are even bolder in stepping on the forbidden zones of news reporting. The most important sign of this is that many writers' reportages are being published in magazines. In fact, not only are writers but many newspaper reporters are turning their most substantive, most in-depth, most dangerous news articles into reportages and sending them to the magazines for publication. The fact that magazines are more voluminous is certainly a factor, but more important is that compared to newspapers, magazines are less tightly controlled by the "party."

Of course, the party has very "discerning" eyes. In the two rounds of rectification of the press in 1987 and 1989, magazines suffered much greater damage than newspapers. In 1989 alone, 400 magazines, twice the number of newspapers, were shut down, and they were all social-science type magazines.

Today, Mainland China has more than 6,500 kinds of regularly published magazines; more than 48 percent are in the social science category, and 40 percent of that are published by CPC organs, groups, and research units; 60 percent are published by the localities. Among the social science publications, the largest percentage has to do with literature and art, followed by cultural and educational journals, and lastly there are the financial journals. There are few pure news-oriented magazines, but the variety magazines usually carry a large number of news articles.

Like the tabloids, in the course of developing different types of magazines, there is a mixture of good and bad magazines. Tasteless, superstitious, pornographic, violent, brutal crime magazines whose sole purpose is to make money are doing extremely well in the market. But there are also many outstanding magazines that propagate Western civilization, make in-depth reports on China's real problems, uncover historical events, or even attack existing abuses and advocate reform and opening up.

Political Commentaries and Academic Magazines Occasionally Deliver Shocking Opinions

Representatives of this type of magazines in the last decade are QINGNIAN LUNTAN [YOUTH FORUM], DUSHU [STUDY] and GUOQING YANJIU [STATE OF THE NATION].

Current Events and Factual Reports Touch On a Broad Range of Subjects

This type of magazines are hot-sellers in the market, because they cover a wide range of subjects, they are bold, they dare to crash the forbidden zones, and because they are very readable. Prior to 1989, the better known magazines of this type were XINGUANCHANG [NEW OBSERVATION], HAINAN JISHI [HAINAN EVENTS], DONGFANG JISHI, JINGDAO [GOLDEN ISLAND], WENHUI YUEKAN [ESSAYS MONTHLY], HUAREN SHIJI [CHINESE PEOPLE'S WORLD] (Overseas Edition).

Although all of the above publications were shut down in 1989, similar magazines are still around. They include NANFANGCHUANG [EAST WIND WINDOW], XINSHIJI [NEW CENTURY], JISHI WENXUE [REPORTAGE], and so on. These magazines can take care of their own profits or losses; some are directly controlled by individual booksellers, and naturally they must publish works that attract readers. For example, the objective of Guangzhou's NANFANGCHUANG is to "propagate new ideas, lend support to new things, uncover new tendencies, and promote new trends." There is no mention of "upholding the four basic principles" normally cited by all regular publications! Since its founding, that magazine has never accepted a cent from the government in the form of startup fund, operating fund, financial subsidy, or wages. It earns its own keep.

Legal and Youth Magazines Rarely Prints Stuffiness

China's political and legal system are ideologically very conservative, but the publications put out by them often take advantage of their natural conditions to deliver more frequent and bolder reports on social issues and crime cases than other publications, and therefore they are very popular with the readers. The reason behind this is, just like the factual reportages, they too are seduced by money and are printing what is selling.

Publications that target the young people and woman readers are seldom stuffy in composition or in content. Compared to the reportages and legal magazines, they have much less of a political overtone. They emphasize discussing ethics and moral principles and introduce the readers to Western society.

There Is Reason To Be Optimistic About Freedom of the Press

Changes in mainland China obviously have not been as drastic as that in the Soviet Union and Eastern Europe, but compared to the old days, China indeed is completely transforming itself, including in the sensitive news media area. If, instead of making a simplistic comparison between the CPC's propaganda tool and the West's free press, we look at this change from the

historical point of view, we will have reason to be optimistic about journalistic freedom in China in the future.

A CASS Journalism Institute researcher made the following comment which makes the best conclusion for this article: "A spontaneous reform of the press that raises no noise and causes no sensationalism is being

launched among the mainland's news organizations. This reform which comes from below and which has never been publicly acknowledged by the authorities can be likened to executing a criminal first and report to the emperor later—what is done is done. By the time the dogmatic ideological leaders realize that the old system is under siege, a new mechanism accepted by the people has already been formed."

Zhang Liping Discusses Improving PLA Medical Work

94CM0305A Beijing RENMIN JUNYI [PEOPLE'S MILITARY SURGEON] in Chinese No 11, 28 Nov 93 pp 3-6

[Article by Zhang Liping (1728 4539 1627), director of the Medical Department of the PLA General Logistics Department [GLD]: "Unify Conceptualization, Strengthen Economic Management, Strive To Meet the Needs of the New Situation"]

[Text] *Editor's Note: At a seminar devoted to the issue of economic management in medical work recently convened at the Shenyang Military District Hospital (Sanitarium), Zhang Liping presented a complete exposition and set forth clear and concrete demands as to how military hospitals can properly effect economic management and provided guidance on how to develop and administer military hospitals under the new situation of market economy. We herewith publish his talk in abstract so that units may study and implement it.*

The strategic plan set forth by the Military Commission [MC] for the new era raises greater demands on military hospitals as to how they can assure delivery of medical logistics in limited warfare under modern conditions, especially those of high technology. The establishment of socialist market economy and the advancement of medical reform across the country present many new conditions and problems for military hospitals. Faced therewith, medical logistics leaders at all levels, especially comrades engaged in military hospital administration, must keep sober and ensure delivery of accurate guidance throughout all their work.

I. Unify Conceptualization Regarding How To Respond to the New Situation

A. "Response" Must Serve To Improve Combat Effectiveness and Not Merely To Generate Revenue

Whenever discussing response to the new situation of market economy, some comrades consider only how to increase revenue, equating "response" with money-making. Increasing revenue so as to finance operations certainly forms one aspect of "response," but there is much more thereto. It means better response to the new macroenvironment of market economy through service direction and quality and effort in terms of technology, personnel, equipment, administration, finance, and other quarters so as to help improve combat effectiveness. Thus "assurance" converges with "response." Indeed, it is consideration of the external effects of market economy that leads us to stress "assurance," making it a basic premise. And, at bottom, we actively "respond" to the new situation so as to provide better "assurance."

B. "Response" Must Proceed from the Fundamental Laws and Characteristics of Military Medical Work and Not Mimic Market Mechanism

Under the new situation, management of military medical work, especially compensated service provided to locals, should draw on, but not mimic, some market mechanism methodology. This is dictated by the unique nature, function, and mission of medical work, especially military medical work. From the broadest perspective, the first requirement in terms of the social benefit medical work provides, the basic function of military medical work, the very nature of ensuring well-being, the characteristics of the military system, and the revolutionary humanitarian purpose of saving the dying and treating the wounded all differ fundamentally from the principles of market economy, whose principal objective is maximizing profit through exchange; is premised, in terms of participation, on a high degree of autonomy; is guided mainly by market demand; and so on.

C. "Response" Must Ensure That Service Direction Does Not Skew, Treatment Quality Does Not Fall, and Professional Integrity Does Not Slip

Under market economy, people's notion and awareness of material benefit and private interest grow, and disturbance from all directions steadily mounts. So if we fail to adopt effective educative and control measures, "assurance" may fail, service quality may not meet muster, professional integrity may slip, and other bad phenomena may arise. Over the past several years, we have unstintingly stressed direction, quality, and integrity. Yet even so, noteworthy problems have cropped up in some units. For example, in the area of service, some hospitals still show lack of dedication and devotion to treatment of army wounded and sick; responsibility is shirked in disguised form; and some hospitals fail to uphold funding standards in administering drugs and even charge soldiers arbitrary fees therefor. Service shortfall is even greater when it comes to taking the initiative in providing preventive guidance, monitoring disease, and technical assistance ties [BANGDAI]. Quality shortcomings are saliently manifested as failure to uphold standards for and the overall poor quality of basic treatment and care. Many hospitals have failed properly to adhere to the system and standards we have developed over the past several decades, indeed even such basic things as three-tiered examination, pre-surgical and pre-death discussion, the "three checks and seven responses," and the like. And there are numerous noteworthy problems in the area of professional integrity. In today's society, some medical personnel lose their sense of right and wrong whenever they see profit to be made, succumbing to self-aggrandizement through medicine, an evil that is reflected in military hospitals as well. We must place great emphasis on the effects the new situation creates in the areas of service direction, treatment quality, and professional integrity. If we fail to master these problems and if existing bad tendencies are allowed to fester, the consequences will be unthinkable, and we will be unable to face the officers and enlisted personnel of the entire armed forces.

II. The Effective Way To Respond to the New Situation Is To Stress "Assurance"

A. Establish Effective Regulatory Measures

To achieve "assurance," we must, while applying administrative and legal controls, effectively employ economic ones as well. We absolutely must firmly control that which should be controlled. Moonlighting, special service, external service, work in hospitals run jointly with localities or as integrated entities, and the like must strictly abide by relevant regulation and approval procedure. No second occupation is permitted. And we must scrupulously effect positional responsibility for hospital and department directors, provide regular performance evaluation, and ensure that reward and punishment are appropriately dispensed. B. Promptly Systematize and Normalize Successful Experience under the New Situation, Including Establishing an Effective Self-Restraint System

Over the past several years, medical units throughout the armed forces have pioneered much new experience in providing "assurance." After summarizing, studying, and refining this experience, we must integrate it with previous success and study how to establish an integrated, coordinated system. With a legal system and a normalized basis for behavior, stable service to the armed forces can be assured, no matter how the situation and environment fluctuate. C. Deepen and Elaborate Service I stress three things. First, in terms of treating military injured and sick, emphasize priority, quality, and convenience; fulfill one's mission to the best of one's ability; and assure treatment quality and safety as much as possible so as to satisfy officers and enlisted personnel. Second, expand hospital function and enhance preventive and health-maintenance work. We must strengthen integration of prevention and treatment in and outside of hospitals and strive to prevent disease in and to improve the health of military units. Third, we must, in accordance with the requirements of the MC's strategic plan, conscientiously prepare so that we can ensure effective response to any emergency. These desiderata must be achieved, and achieved properly, by all medical units throughout the armed forces.

III. Improve and Strengthen Economic Management, Better Effect "Assurance," and Better Respond to the Needs of the New Situation

A. Clarify Objectives and Progressively Advance Economic Management

To manage military hospitals properly, the most important thing is to accurately guide medical work towards service. Economic management not only focuses on bottom-line profit but should also consider how better to effect the basic functions of military hospitals, provide more accurate guidance, improve quality and economic results, and serve hospital development. Secondly, we must plug loopholes and reduce costs and waste. Third, we must establish a vigorous restraint and incentive mechanism and fully mobilize initiative. Fourth, we

must "keep clear books" so that accurate, timely, and scientific information and advice is provided to all levels and decision-making error is reduced.

B. Concentrate Resources on Resolution of Cost-Accounting Problems

First, we must scientifically and rationally define cost. Beyond actual depletion, how and by how much shall we depreciate fixed capital? How shall the military-expense conversion portion be computed? Of fixed capital, how shall the portions put up by superior agencies, locals, through accumulation, jointly, or by foreigners be appraised? How shall indirect depletion be assessed? Regulations regarding these matters were established in GLD Health Department Document 194 of 1989. After several years of experience, however, we must reexamine these regulations to determine which are suitable, which are truly feasible, and which require supplement or revision.

Second, we must accurately establish accounting typology. Most other countries practice three-tiered accounting. We must strive to pave the way for and effect this and account by disease type with the patient as basic unit. In view of actual conditions in military hospitals, the basis and conditions for this approach readily exist.

Third is the issue of departmental accounting. As an entity that actually provides treatment, the department certainly should form an accounting level. However, difficulty, intensity, and inputs among departments vary greatly, so careful cross comparison thereamong is warranted. And while departments may be made accounting units, they must not undertake responsibility contracting. We should administer them through composite-objective responsibility and treat economic return as but one element in evaluating their overall performance.

Treatment cost accounting must closely be integrated with automation, and computers should become powerful managerial tools. Modern management and cost accounting are inseparable from automation. Units that have effected automation must advance it because this work has considerable potential. Those units that have not effected it should begin doing so as soon as possible. The master plan must be handled properly, the right personnel must be recruited, and things must get rolling promptly. Naturally, it is important that leadership provide emphasis and support.

C. In Applying Economic Measures, Be Attentive To Promoting the Beneficial and Eliminating the Harmful. Use the Measures To Accurately Guide Hospital Work and Prevent Them from Excessively Stressing Profit and Engendering Unscrupulous Money-Grubbing

Economic measures are two-edged. If we are to promote the beneficial and eliminate the harmful and prevent "money grubbing" from arising and spreading, the key lies in accurately mastering and employing these measures. First, we must accurately handle the relationship

between economic results and quality. We must stress results but emphasize quality even more and increase the weight of the latter in overall performance review and in determining bonus distribution. Second, we must particularize and concretize the requirements of guidance and of principle by incorporating these requirements into the specific duties assigned to each administrative post under the positional responsibility system. For example, the issues of service direction, treatment quality, and professional integrity must be linked to positional responsibility, performance evaluation, and reward and punishment dispensation so that orders from superiors are transformed, via the interest mechanism, into conscious behavior by department and individual. Third, we must mobilize initiative as much as possible by providing appropriate secondary distribution in accordance with both results and fairness. Primary distribution focuses principally on results and contribution. However, for those units that bear heavy "assurance" mission, serve many military units, or are unprofitable yet whose work is highly technical, hospitals, in addition to effecting primary distribution by department, should provide appropriate secondary distribution, taking into account both results and fairness as well as the interests of all quarters in terms of the overall picture, and thereby fully mobilize initiative.

D. Take the Correct Path to Revenue Generation and Pursue Success through Technology and Integrity

Under the new situation, hospitals face many new circumstances, contradictions, and difficulties in their effort to develop resources and generate revenue, and we must treat these seriously. To generate revenue, hospitals must not resort to indiscriminate drug dispensing, writing huge prescriptions, or unnecessary service, thereby increasing patient financial burden. These are impermissible and undermine the image of military hospitals. In accordance with the spirit of the directives issued by the MC and the GLD and in view of actual conditions in military hospitals, the latter should place most of their effort on providing technical service and exploiting their scientific and technological advantages and strive for success in developing through science, quality, and strength in terms of technology and integrity. These two approaches form the foundation for military hospital effort to achieve successful development and can never be relaxed. Strengthening technological development is dependent primarily on the specialties in which hospitals possess advantage and on training and recruiting middle-aged and young personnel. The key to strengthening professional integrity lies in transforming ideal into reality. We must make this effort fundamental to the development of our profession, keep dossiers on the integrity of our personnel, use great reward to recognize exemplars, sternly punish people lacking in virtue, and resolutely check evil practice.

E. While Stressing Revenue Generation, Also Stress Economy and Strive for Quality While Reducing Waste

Hospital economic management involves nothing other than needing, making, saving, and exploiting money. Given the situation in China, the most fundamental approach is to seek quality and reduce waste so as to provide the best treatment outcome with the least expenditure input. We must provide better treatment for less money. And to do this we must strengthen economic management, stress economy, and take advantage of our people's superb skills.

In reducing expenditure, we must pay particular attention to scientific decision-making regarding investment and provide repeated study and proof of need when selecting construction and developmental projects. Examples that decision-making errors are the greatest source of waste abound. We must be careful to plug leaks and reduce waste everywhere. For example, drug purchase kickbacks run about five percent everywhere. If hospitals can strengthen supervision over each link, make secret and private operations open and public, a medium-sized unit could save about 50,000-60,000 yuan a year, which would become tremendous when multiplied throughout the armed forces. Even more importantly, there is a political factor here, which, if not stressed, will send some cadres to ruin.

F. Stress Comprehensive Application of All Types of Measures

No single type of managerial measure is omnipotent. Excessive reliance on any one inevitably begets trouble. This is true for economic management, too; one cannot rely purely on that approach. And this is especially true for military hospitals. We must never lose the fine tradition and practice of our armed forces, their spirit of arduous struggle, their advantage in ideological work, and their organizational discipline of strict obedience and of "following orders in everything one does." And we must not ignore comprehensive application of ideological, administrative, legal, and other measures.

G. Strengthen Training of Economic Managers and Develop a Corps Adept at Finance

All hospitals really need to establish economic managerial organs or at least should have experts in this field. Many hospital directors hope to resolve the problem through organizational expansion, but we must accomplish this work while retrenching and reorganizing hospitals throughout the armed forces. Each unit and hospital must devote special attention to managerial organ and personnel. We must also improve the quality of such personnel and train a corps that can handle finance and management and, especially importantly, create "amphibians" adept at both medicine and finance. We must make solid and practical effort to improve management of all military hospitals under the new situation.

NORTHWEST REGION

Work of Gansu Courts During 1993 Reviewed

94CM0300A Lanzhou GANSU RIBAO in Chinese
13 Apr 94 p 4

[Article: "Gansu Province Higher People's Court Work Report"]

[Excerpt] [passage omitted] During 1993, a total of 73,025 criminal civil, economic, and administrative cases were heard. This was 18.1 percent more than in 1992. Cases tried numbered 67,473, up 19.5 percent from 1992. These included 7,561 criminal cases, or 10.4 percent of all cases that the procuratorate prosecuted. The remaining 89.6 percent of the cases were accepted for hearing directly by the courts.

1. Strict Punishment According to Law of Offenders Causing Serious Damage to Public Order for the Safeguarding of Social Stability

During the year, courts at all levels throughout the province continued a policy of working at multiple tasks at the same time, and working with might and main in light of the province's public order situation. They persisted in the "severe crackdown" struggle, severely punishing all kinds of criminal activities that seriously impair social order. Altogether, the courts heard 8,718 criminal cases of all kinds, 4.2 percent more than in 1992. They tried 8,385 of these cases in which they sentenced 10,128 offenders who had already received due legal process, 38.9 percent of them being sentenced to five years or more in prison, to life imprisonment, or to death (including commuted sentences).

(1) Emphasis on Crackdowns Against Major Offenders; Crackdowns Intensified

Although social order in the province remained basically stable during 1993, there were numerous problems and the situation remained serious. Courts at all levels consistently made crimes that caused serious disruption of social order the major focus of crackdowns, meting out severe and speedy punishments according to law. During the year as a whole 4,752 offenders who had caused serious damage to public order were sentenced after due legal process, 67.8 percent of them being sentenced to five years or more, to life imprisonment, or to death (including commuted sentences).

(2) Active Warfare, Concentrating on Both Recurring and Localized Serious Criminal Activities

Courts at all levels diligently enforced the NPC Standing Committee's "Decisions on Banning Drugs," and the programs of the provincial CPC committee and the provincial government in close coordination with public security and procuratorial agencies. In July, the courts concentrated forces for a provincewide battle against drug offenses. The provincial court issued a special document reiterating the necessity for enforcing the NPC "Decisions on Prohibition of Drugs," which clearly

provide for conviction and sentencing for the sale of 1 gram or more of heroin. In cases in which less than 1 gram is sold but the circumstances are serious, criminal responsibility may also be fixed. During 1993, courts throughout the province heard 556 drug offense cases meting out sentences in 534 of them. A total of 558 offenders were sentenced for smuggling, manufacturing, selling, transporting, or illegally possessing and illegally growing drugs. Of these, 80.68 percent were sentenced to five years or more imprisonment, life imprisonment, and death (including commutation of the death sentence).

People's courts at all levels took active part in the battle against theft, meting out severe sentences to the ring-leaders of robber gangs, major thieves, habitual offenders, and fugitives. They also emphasized crackdowns on sellers of stolen goods. The province's court tried 3,042 thieves. At the same time, the courts also actively joined the special battle to roundup "car-jackers and police officers putting up roadblocks to impose fines and fees on motorists." They also cracked down on the plundering of ancient tombs, severely sentencing a number of offenders. In 1993, the provincial court trial committee found one trial court had given too light sentences; it directed retrials. Fourteen of the 19 people sentenced to death in the retrial of 16 cases were mostly "car-jackers and police officer highway extortionists."

Criminal activities involving the abduction for sale, and the kidnapping of women and children, and organizing and forcing women to become prostitutes are very serious in some parts of the province. During 1993, people's courts at all levels diligently enforced the NPC Standing Committee's "Decisions on Severe Punishment of Offenders Who Abduct and Sell, or Kidnap Women and Children," and "Decisions on Strict Prohibition of Prostitution," trying 44 such cases and sentencing 101 offenders.

(3) Active Participation in Comprehensive Control of Public Order To Reduce and Prevent Crime

First was the use of public trials as part of a widespread campaign to provide publicity and education about the legal system; second was emphasis on the omissions of units concerned found in the handling of cases, making judicial recommendations; third was adoption of a policy of educating, guiding, and rescuing offenders who had not yet reached maturity, making education a part of sentences, thereby combining punishment with education. Fourth was greater use, according to law, of probation and public surveillance of offenders whose offenses were fairly slight as local conditions warranted, relying on social pressure to effect reform. Fifth was adjudication, reduction of sentence, or release on parole, according to law, of offenders sentenced to labor reform who showed evidence of repentance and intention to change their ways, or who had performed meritorious deeds.

II. Harsh Crackdowns on Serious Economic Crimes; Resolute Punishment of Graft and Corruption

During 1993, peoples courts at all levels waged more battles to crack down hard on criminal economic activities, punishing a number of serious economic criminals. A total of 533 economic crime cases of various kinds were heard, 298 of them involving graft and bribe taking. So far 371 offenders have been sentenced after due process, 34.5 percent of them to five years or more in prison, life in prison, or death (including those whose death sentence was commuted). Economic losses amounting to 7,280,600 yuan were recovered for the state and collectives.

In July 1993, the provincial court convened a meeting of medium level court judges throughout the province at which, on instructions from the supreme court, it emphasized the need to use sentences in large and important cases as an object lesson in continuing the battle against economic crimes. Law courts at all levels responded conscientiously, sentencing 129 offenders who had committed economic crimes involving 10,000 yuan or more, 22 of whom had committed crimes involving 100,000 yuan or more, and seven of whom had committed crimes involving 200,000 yuan or more. Six of the offenders sentenced were county (or department) level cadres. Courts at all levels made crackdowns on graft, acceptance of bribes, and the diversion of public funds to authorized uses by personnel working in party and government leadership organs, judicial units, administrative enforcement units, and economic control units the emphasis of strict punishment according to law.

In hearing economic crime cases, people's courts at all levels made sure to move large and important cases forward on the docket, delve into them, and hear them promptly. In hearing cases, they adhered to two basic principles: one was to make sure of the facts and evidence, positively not issuing any sentences in cases where the facts were unclear or the evidence insufficient. The second was not to wrangle about non-essentials when the basic facts and basic evidence was in hand. They adhered to the principle of "the need for firmness first, prudence second, and handling matters correctly," strictly distinguishing between guilt and no guilt.

Although definite accomplishments have been made in the battle to crack down on economic offenses, some problems also exist, the main one of which is that an insufficient number of economic crime cases are being brought to court. During 1993, courts throughout the province received 489 new economic crimes cases, 15.4 percent fewer than during the previous year. This situation does not match the actual economic crimes situation and the intense reaction of the public to economic crimes. The problem of imposing fines instead of meting out punishments has still not been solved. In some cases, the sentences are still too light. If the battle to crack down on economic crimes is to be intensified, matters will have to be handled strictly according to law, these problems diligently resolved.

III. Regulation of Economic Relationships According to Law To Promote Development of the Market Economy

During 1993, people courts at all levels throughout the province further intensified their economic trial work, regulated economic relationships according to law, ensured smooth implementation of national macroeconomic regulation and control measures, and strove to intensify economic system reform and service to economic development. The number of cases involving economic disputes of all kinds that were heard increased tremendously, breaking the 10,000 mark to reach 11,900 cases. This was a 128.5 percent increase over the previous year. The courts tried 10,749 cases, the amount of money involved in the cases tried totaling 797.52 million yuan.

(1) Greater Hearings of Economic Dispute Cases of All Kinds To Promote the Building of the Market Economy System and Maintain the Economic Order Following Supreme People's Court plans to ensure smooth implementation of macroeconomic regulation and control through trial work, courts at all levels throughout the province held more hearings of financial dispute cases. They put special effort into trials for the purpose of clearing up call loans and recovering overdue credit. The resolved payment default and settlement disputes for construction units and construction engineering departments amounting to 27,715,100 yuan, thereby improving construction fund returns. They heard 5,260 cases involving procurement and marketing, property leasing, processing contract, technical cooperation, and patent and trademark disputes, liquidating or recovering 171.75 billion yuan in delinquent payments for goods and services, thereby safeguarding the legal property rights and interests of enterprises and legitimate competition in routine business activities and market exchange. They tried 323 cases involving enterprise contracting, leasing, partnership, bankruptcy, mergers, and economic equity rights disputes, including 12 enterprise bankruptcy cases. They heard 108 economic dispute cases stemming from rural reform and development, most of them rural contract dispute cases, thereby steadying responsibility systems, notably the family output-related contact responsibility system to advance rural economic development.

(2) Reform and Perfection of the Economic Judicature System Thereby Further Improving Case Handling Quality and Efficiency The system of placing the burden of proof on those making allegations continue to be applied in the hearing of economic dispute cases. In cases in which the facts were clear and evidence ample, a direct court hearing and speedy solution was tried out. In cases in which the facts and the circumstances were uncomplicated, when simple procedures in accordance with law could be applied, they were applied, and where oversight procedures were required, they were also applied. They improved the mediation of economic dispute cases, the number of cases mediated for the year increasing 72.46 percent over 1992. Courts at all levels

paid particularly close attention to trials of major and important economic dispute cases.

(3) Improved Service Awareness, Broadening the Service Realm. The first step taken in improving service awareness and broadening the service realm was the establishment of a mediation center for economic disputes for the purpose of mediating disputes before they went to trial. During 1993, such centers heard 4,343 economic dispute cases involving a total of 294.34 million yuan, 3,867 of which were successfully mediated. In August, the provincial court also set up a center to mediate real estate disputes, which heard 63 cases by the end of the year, successfully mediating 37 of them involving 7.15 million yuan. Second was closely linking legal services with case handling in an effort to extend services. Courts throughout the province have set up with 1,179 enterprises a system in which the enterprises designate one or more personnel contact points on economic judicial matters, 1,269 such contact personnel having been designated. Some courts also set up enforcement centers, or some administrative enforcement departments have set up enforcement courts or enforcement offices to provide special services. Very many courts also provided training classes that provide information about the law to persons in charge of enterprises and administrative personnel. These methods have yielded very good social benefits for economic construction.

IV. Good Performance of Civil Affairs and Administrative Trials To Safeguard the Legal Rights and Interests of the Citizens and Legal Entities

Courts at all levels throughout the province have strictly enforced civil law and policies, actively hearing all sorts of civil cases. During 1993, they heard 33,372 civil cases, 10.54 percent more than in 1992, and they adjudicated 31,771 of them for a 95.2 percent adjudication rate. Civil cases account for more than 60 percent of all cases

straight in the courts. Marriage cases, debt cases, and compensation cases account for a respective 66.15, 15.42, and 11.6 percent of civil cases. They occupy first, second, and third place, respectively, among civil cases. Therefore, people's courts at all levels pay close attention to the hearing of marriage, family, and inheritance cases. In the division of property for inheritance, in caring for women and children, and in the apportionment of housing, the courts made sure to protect the rights of women, children, the aged, and those unable to make a living. Second was the hearing of 6,883 cases involving indebtedness, houses, and labor disputes, and payment of compensation for damages, 4,823 of which were adjudicated. This was 22.8 percent more than in 1992. Third was the adjudication according to law of 2,883 personal injury compensation cases, 52 reputation and image rights cases, and 10 intellectual property rights cases. This adjudication promptly resolved conflicts, thereby advancing popular unity for substantial effect on society.

Courts at all levels throughout society persisted in the protection of the legal rights and interests according to law of citizens, juridical entities, and other organization. They also adhered to the principle of safeguarding and supervising administrative organs exercise of functions according to law, hearing all sorts of administrative cases. They particularly emphasized large and important cases having a major social effect and about which there were strong feelings from all quarters to promote the development of administrative trial work. During 1993, the province's courts heard and tried 403 administrative cases, 2 percent more than in 1992, successfully adjudicating 390 of them. Of the administrative cases successfully adjudicated, the decisions of administrative organs were upheld in 32.05 percent, overturned in 15.38 percent, partially overturned in 3.59 percent, appeal rejected in 6.15 percent, and the original complain dismissed in 35.64 percent. [passage omitted]

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